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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

Part 1 (Pages 1-905)

ACTION
Corporation for Public Broadcasting
Department of Education
Department of Labor
Federal Mediation and Conciliation Service
Federal Mine Safety and Health Review Commission
National Commission on Acquired Immune Deficiency Syndrome
National Commission on Libraries and Information Science
National Council on Disability
National Labor Relations Board
National Mediation Board
Occupational Safety and Health Review Commission
Physician Payment Review Commission
Prospective Payment Review Commission
Railroad Retirement Board
U.S. Institute of Peace
U.S. Soldiers' and Airmen's Home

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CONTENTS

TUESDAY, FEBRUARY 6, 1990

Department of Labor: Page
Secretary of Labor 1
Office of Inspector General 143

WEDNESDAY, FEBRUARY 21, 1990

Department of Education:
Secretary of Education 163
Special Institutions:
Howard University 251
Gallaudet University 256
National Technical Institute for the Deaf 262
American Printing House for the Blind 268
Office of Elementary and Secondary Education 305
Office of Bilingual Education and Minority Language Affairs 305
Office of Special Education and Rehabilitative Services 305
Office of Educational Research and Improvement 393
Office of Postsecondary Education 393
Office of Vocational and Adult Education 393
Office of Inspector General 467

MONDAY, FEBRUARY 26, 1990

ACTION 481
National Council on Disability 511
Federal Mediation and Conciliation Service 533
National Mediation Board 547
Railroad Retirement Board 561
Office of Inspector General 607
Federal Mine Safety and Health Review Commission 627
National Labor Relations Board 637
Occupational Safety and Health Review Commission 665

WEDNESDAY, FEBRUARY 28, 1990

Physician Payment Review Commission 683
Corporation for Public Broadcasting 701
National Commission on Libraries and Information Science 743
U.S. Institute of Peace 797
National Commission on Acquired Immune Deficiency Syndrome 827
Prospective Payment Review Commission 865
U.S. Soldiers' and Airmen's Home 893

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

TUESDAY, FEBRUARY 6, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD–138, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin, Burdick, Inouye, Bumpers, Specter, and Cochran.

DEPARTMENT OF LABOR

SECRETARY OF LABOR

STATEMENT OF HON. ELIZABETH H. DOLE, SECRETARY OF LABOR

ACCOMPANIED BY:

- **ROBERT T. JONES, ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING**
- **THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT**
- **JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET**

OPENING REMARKS

Senator HARKIN. Today we will hear from Secretary of Labor Elizabeth Dole testifying on the fiscal year 1991 budget request for her Department.

Madam Secretary, it is a pleasure to have you back again before the subcommittee.

The Labor Department has many varied and extremely complex programs to administer. But it is the job training programs that I would like to concentrate on today. The programs represent more than 80 percent of your discretionary programs. I know we talked about this extensively last year, and some things have been done since that time that I would like to go over with you. I would also like to cover some of your proposals for the future.

The reports that you received recently spotlighted the work force crisis facing our Nation: fragmentation of human resource programs, unprepared to meet a critical shortage of skilled workers, and a growing excess of unskilled workers. This is really a crisis which could have very severe repercussions on our labor force going into the next century.

Our workplace is changing at a breathtaking speed. Low-skill jobs are being transferred into technologically sophisticated positions. The jobs of the future will demand ever increasing reasoning skills, more math and science, and higher proficiency in reading and writing.

Yet we face the grim reality that one-quarter of our students drop out of high school—1 million youth annually. In addition, many others who graduate are virtually illiterate.

As you have said, Madam Secretary, this is not a partisan matter. I know that you have given a lot of thought to these problems and I look forward to discussing them with you.

At last year's hearings, I raised concerns about the potential for fraud and abuse in job training programs, based on disturbing reports from both GAO and the Labor Department's inspector general. These reports showed that excessive wage subsidies were being made to employers under on-the-job training contracts and that fixed unit priced contracts were being used to circumvent limitations on costs. Legislation to correct these problems has been reported to the Senate by the Labor and Human Resources Committee.

I want to thank you, Madam Secretary, for supporting this much-needed legislation. We need to continue our efforts to reduce unnecessary and wasteful Federal spending wherever it occurs. We need to complete our efforts started last year to correct the abuses found in the on-the-job contracts and the fixed unit priced contracts.

Finally, Madam Secretary, I want to talk about several items of some importance to me in my home State of Iowa dealing with older workers, OSHA activities targeted at meat-packing facilities, and the possible need for an unemployment office supplemental.

At this point, I would recognize my colleague from North Dakota for any opening statements that he might have.

Senator BURDICK. Mr. Chairman, I don't have an opening statement, but I will have some questions for the Secretary.

Senator HARKIN. Thank you.

I will leave the record open at this point for any statement that Senator Specter and other Senators might have.

INTRODUCTION OF ASSOCIATES

Again, welcome back to the subcommittee, Madam Secretary. It is always a pleasure to have you here.

Secretary DOLE. Thank you very much, Mr. Chairman.

Mr. Chairman, Senator Burdick, I am delighted to have this opportunity to appear before you to discuss the Department of Labor's fiscal year 1991 budget request.

Joining me today are Bob Jones, Assistant Secretary for Employment and Training Administration; Tom Komarek, who is the Assistant Secretary for Administration and Management; and Jim McMullen, who is Director of our Office of Budget.

When I appeared before this committee last year, Mr. Chairman, I provided you with an overview of the major goals and priorities

President Bush and I had set for the Department of Labor. Our mission was to make a difference, a positive difference, in the lives of American workers.

Today I would like to offer a status report on our goals and priorities and the course that we chart for the future in this year's budget request.

What seized my attention when I came to the Department of Labor was the fact that we are undergoing some revolutionary changes in American business and in the American work force—changes that pose some complex challenges, challenges ill-served by short-term, quick fixes that may grab some headlines, but offer very little in the way of meaningful results.

I know that the members of this committee are aware that America is squarely in the midst of a work force crisis. While our jobs are requiring more skills, more education, many of our youth drop out of high school every year, approximately one-half million a year. And businessmen and women tell me constantly that young people who receive their high school diploma simply don't have the skills they need to succeed in the marketplace.

Additionally, 20 to 40 million of our current workers face substantial literacy problems.

Yes, Mr. Chairman, the picture I am painting is an alarming one. But I paint it out of hope, rather than despair; hope and confidence that we can build a better work force and a better America through the contributions of all segments of our society—education, labor, business, and government.

CALL TO QUALITY

Accordingly, we have devoted much time to the development of a call to quality.

I want to say that Bob Jones and his team have just been invaluable in this effort. This is a series of initiatives that will lead to improvements in our work force and will help insure America's competitiveness in an ever more complex, global market.

I think this is absolutely key. If we are going to remain competitive in a global market, then we must address the skills gap, we must lay out plans, long-term plans, to change this situation and to ensure that we have a quality work force.

To define the skills needed to survive in the workplace, I will soon appoint a blue-ribbon commission of business, labor and education leaders, and I will charge them with the task of developing national competency guidelines that reflect work readiness.

This is a result of the businessmen and women telling me that the jobs that are available simply do not match the skills of the young people. In other words, young people do not have the skills for the jobs that they can offer them, not just in the future, but today. This mismatch has to be addressed.

Local schools and educators, as well as training programs, can use the guidelines that this blue-ribbon commission is going to hammer out to help develop relevant curriculum for promotion and graduation.

I am vitally concerned with what happens to students after they leave school, especially the 40 percent of our high school graduates who go directly to work.

The United States is one of the few Western industrialized nations that does not have a formalized school-to-work transition. So we will initiate a series of research and demonstration projects aimed at assisting our school-to-work population. Through business and education partnerships, we'll establish learning programs which combine academic skills with workplace settings.

This spring, I will convene a national conference of employers, union leaders, educators, and training professionals to review the school-to-work issue, to share effective programs, and to recommend fundamental reforms.

Since over two-thirds of America's work force at the end of the century are working right now, today, we will move beyond programs for new entrants and devote attention to our current workers as well.

There are many innovative programs which make a difference in upgrading the skills of our work force. For example, the construction industry offers outstanding training based on the principle of apprenticeship. Workers receive training and instruction, which are widely accepted and which serve as portable credentials, thereby expediting the process of matching employees with employers.

I believe this principle can be adopted by other occupations, including many in the rapidly expanding service industry. We will encourage this by developing a voluntary system for accrediting workplace training programs throughout an industry. A national advisory board on workplace training will assist in this effort this group will be appointed soon and will work to encourage business and labor to adopt such apprenticeship programs.

I am also concerned that the Federal and State Employment Service, which receives almost $800 million annually, is designed for the dynamics of the 1960's, not the dynamics of the 1990's. In other words, in the 1960's we had a labor surplus. Now we are in the 1990's, where we have a labor shortage. And yet, the system has not been changed or reformed to adapt to this.

I will talk extensively with Congress, Governors, employers, labor leaders, and others with an eye to submitting legislation by the end of the year to improve the efficiency of the employment service. I certainly want to work with you, Mr. Chairman, and the members of this committee as we put these plans together as to how we can make certain that the taxpayers' dollars are paying off more than they are now with regard to the employment service.

I think there is a general consensus that it is not as productive as it could be. What to do about it? There is not a consensus on that. But we have a number of ideas, and we look forward to sharing those with you and working with you to put this plan together.

JTPA AMENDMENTS

But the initiative that I know is of special interest to you, Mr. Chairman and members of the committee, is legislation that we introduced to reform the Job Training Partnership Act [JTPA].

We are all aware of the great success of JTPA, but I believe we can make it better. We would refocus JTPA so that it targets more intensive employment and training services to the most economically disadvantaged and least skilled Americans, particularly our at-risk youth.

One of the first things that grabbed my attention when I arrived at the Department of Labor was the then 37-percent minority youth unemployment number, which is at about 33 percent now. I am convinced that we can make a difference there. This is certainly one of the ways to target the JTPA programs to those who are least skilled and most disadvantaged.

In another key change, we aim to provide training not just for a single job, but basic skills training, that is, literacy, remedial education, counseling—a total support system which will enable a young person to have a lifetime of productive work.

Also included in the amendments is authorization for a new national program, which we have named youth opportunities unlimited [YOU], to target comprehensive services to youth living in high poverty areas.

The fiscal year 1991 budget anticipates passage of these JTPA amendments and requests $1.7 billion for job training grants for youth. This represents—and I'm very proud of this, Mr. Chairman—an increase of $252.6 million over the fiscal year 1990 amount. This funding level will provide service to an estimated 683,000 of our most at-risk youth.

In conjunction with this program, $50 million is requested for the YOU demonstrations, to target comprehensive services to an estimated 33,700 youth living in at least 24 high poverty areas.

Now, Mr. Chairman, I would like briefly to touch upon two budget requests that are of great importance to me, which are unrelated to work force training.

OSHA INCREASE

Throughout my first year as Secretary, I have sent a clear and unequivocal message to those responsible for the health and safety of workers: they must be aware of our standards, and they must comply with them fully.

As you know, this is not just rhetoric. One of my first actions last year was to request and receive funding for an effective 10-percent increase in the enforcement staff of the Occupational Safety and Health Administration, the first proposed increase since 1981.

Safety remains one of my top priorities, and our request for OSHA includes an increase of $20.9 million. A portion of these funds will be used to fund an additional 34 staff, which will allow us to focus systematically on significant problems in high hazard industries, such as ergonomic, repetitive motion injuries in the meat packing industry.

PENSION INCREASE

Another agenda item of critical importance is the thorough review of our enforcement efforts to protect America's pension system. I have a responsibility to ensure that America's workers can be secure in the knowledge that their pensions are not abused.

Over the past decade, the number of pension plans and the amount of assets have increased, of course, while the number of Federal employees monitoring them has grown very little. Therefore, I am seeking an additional $15 million and 133 new, full-time employees for the enforcement of fiduciary standards, reporting, and disclosure.

One hundred of the additional personnel will be used to pursue approximately 1,000 additional enforcement cases; and 33 attorneys and support staff will be added to the Solicitor's Office to assist in civil and criminal prosecutions.

We believe these additions will result in approximately $46 million in restored assets to pension plans.

DEPARTMENT REQUEST

Mr. Chairman, the total fiscal year 1991 budget now before you contains requests for new budget authority in the amount of $7.3 billion, and $3 billion in trust fund limitations.

We at the Department of Labor feel that the priorities reflected in this budget—training workers for the job, keeping them safe on the job, and ensuring their financial security after the job—are priorities that will make a positive difference in the American work force and in the lives of individuals.

Before I respond to questions, I want to thank you, Mr. Chairman, and other members of the committee for your assistance and cooperation in the past year. Last year, 1989, was truly a memorable year for me at the Department of Labor.

HIGHLIGHTS OF 1989

In closing, let me share just a few of those moments that were very special.

I'll always cherish the memory of this past New Year's Eve, the most joyous I've ever experienced, when negotiators at 10 p.m. representing the Pittston Coal Co. and the United Mine Workers shook hands and ended a very difficult 9-month strike.

I look back to last March and the 10-day, 10-city tour that I took to visit my 10 regional offices and also job training programs across America. I was so inspired by many of the young people that I met in those job training programs whose lives had absolutely been turned around, some from very negative behavior, to confidence and hope for a fulfilling future. In fact, I was so impressed with them that I just felt there was no way I could convey what I had seen in Congress. So I invited some of these young people to testify before the House and the Senate.

Several of them came to Washington and they did a beautiful job. It was really powerful testimony by 17- and 18-year-olds. It was powerful in the sense that it showed the great potential of our job training programs; these young people with confidence, knowing that they can move forward with the kind of skills they are going to need to have productive work.

I was also greatly inspired by the strong, courageous men and women of Poland during my visits to Warsaw and Gdansk in August and November. In fact, Bob and I just happened to be fortunate enough to arrive the day that Matsuwiewski was selected as

Prime Minister. We went from the airport to a Solidarity caucus on that day. Talk about inspiration: that was absolutely moving.

In conjunction with the AFL–CIO, which has contributed so much to Solidarity and the movement to democracy, we are now implementing our part of the administration's plan of assistance to Poland.

I very much appreciate the congressional legislation which authorized me to solicit private funds for the aid of Poland.

PREPARED STATEMENT

I look forward to working with members of this committee as we build upon the accomplishments of the past year.

Mr. Chairman, this does conclude my prepared comments now. I would be happy to take your questions.

I am pleased to be with you this morning.

[The statement follows:]

STATEMENT OF ELIZABETH DOLE

Thank you Mr. Chairman. Mr. Chairman, Senator Specter, and members of the Subcommittee:

I am delighted to have this opportunity to appear before you to discuss the Department of Labor's Fiscal Year 1991 budget request.

When I appeared before this Committee last year, I provided you with an overview of the major goals and priorities President Bush and I had set for the Department of Labor. Our mission was to make a difference--a positive difference--in the lives of American workers. Today, I would like to offer a status report on our goals and priorities, and the course we chart for the future in this year's budget request.

What seized my attention when I came to the Department of Labor was the fact that we are undergoing some revolutionary changes in American business and in the American workforce. Changes that pose some complex challenges--challenges ill-served by short-term, quick-fixes that may grab some headlines but offer little in the way of meaningful results.

I know that the members of this Committee are aware that America is squarely in the midst of a workforce crisis. While our jobs are requiring more skills and more education, many of our youth drop out of high school every year--approximately one-half million a year. And businessmen and women tell me constantly that many young people who receive their high school diploma, simply don't have the skills they need to succeed in the marketplace. Additionally, 20-40 million of our current workers face substantial literacy problems.

Yes, Mr. Chairman, the picture I have painted is an alarming one. But I paint it out of hope, rather than despair: Hope that we can build a better workforce and a better America through the contributions of all segments of our society--education, labor, business, and government.

Accordingly, we have devoted much time to the development of a "Call to Quality"--a series of initiatives that will lead to improvements in our workforce, and will help ensure America's competitiveness in an ever more complex global market.

*To help define the skills needed to survive in the workplace, I will appoint a blue-ribbon commission of business, labor, and education leaders, and will charge them with the task of developing national competency guidelines that reflect work readiness.

Local schools and educators, as well as training programs, can use these guidelines to help develop relevant curriculum for promotion and graduation.

*I am vitally concerned with what happens to students after they leave school--especially the 40% of our high school graduates who go directly to work. The United States is one of the few western nations without a formalized school-to-work transition.

I will initiate a series of research and demonstration projects aimed at assisting our school-to-work population. Through business and education partnerships, these projects will establish learning programs which combine academic skills with workplace settings. This spring, I will convene a national conference of employers, union leaders, educators, and training professionals to review the school-to-work issue, to share effective programs, and to recommend reforms.

*Since over two-thirds of America's workforce at the end of the century are working today, we will move beyond programs for new entrants and devote attention to our current workers. There are many innovative programs which make a difference in upgrading the skills of our workforce. For example, the construction industry offers outstanding training based on the principle of apprenticeship. Workers receive training and instruction which are widely accepted, and which serve as "portable credentials," thereby expediting the process of matching employees with employers.

I believe the principle can be adopted by other occupations, including many in the rapidly expanding service industry. We will encourage this by developing a voluntary system for accrediting workplace training programs, which will be accepted throughout an industry. A national advisory board on workplace training will assist in this effort, and will work to encourage business and labor participation.

*I am also concerned that the Federal and State Employment Service--which receives almost $800 million annually--is designed for the dynamics of the 1960's--not the 1990's. I will talk extensively with Congress, governors, employers, labor leaders and others, with an eye to developing demonstrations testing ways to improve the efficiency of the Employment Service by the end of the year.

But the initiative that I know is of special interest to you, Mr. Chairman, and the members of this committee is legislation President Bush and I introduced to reform the Job Training Partnership Act. We are all aware of the great success of JTPA, but I believe we can make it better.

We would refocus JTPA so that it targets more intensive employment and training services to the most economically disadvantaged and least skilled Americans--particularly our at-risk youth.

In another key change, we aim to provide training not just for a single job, but basic skills training, literacy, remedial education, counseling--all necessary for a lifetime of productive work. Also included in the amendments is authorization for a new national program--Youth Opportunities Unlimited (YOU)--to target comprehensive services to youth living in high poverty areas.

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Another agenda item of critical importance is a thorough review of our enforcement efforts to protect America's pension system. I have a responsibility to ensure that America's workers can be secure in the knowledge that their pensions are not abused. Over the past decade, the number of pension plans and their assets have skyrocketed, while the number of Federal employees monitoring them has increased very little.

Therefore, I am seeking an additional $15 million and 133 new full time employees for the enforcement of pension fiduciary standards, reporting, and disclosure. One hundred of the additional personnel will be used to pursue approximately 1,000 additional enforcement cases by the Pension and Welfare Benefits Administration, and 33 attorneys and support staff will be added to the Solicitor's Office to assist in civil and criminal prosecutions. We believe these additions will result in $46 million in restored assets to pension plans.

Mr. Chairman, the total FY 1991 budget now before you contains requests for new budget authority in the amount of $7.3 billion, and an additional $3 billion in trust fund limitations. We at the Department of Labor feel that the priorities reflected in this budget--training workers for the job, keeping them safe on the job, and ensuring their financial security after the job--are priorities that will make a positive difference in the American workforce.

Before I respond to questions, Mr. Chairman, I want to thank you and other members of the Committee for your assistance and cooperation in the past year. 1989 was a truly memorable year for me at the Department of Labor.

*I will always cherish the memory of this past New Year's Eve--the most joyous I've ever experienced--when negotiators representing the Pittston Coal Company and the United Mine Workers shook hands and ended a very difficult nine-month strike.

*I look back to last March, and the 10-day, 10-city tour to visit my regional offices and job training programs across America. I was so inspired by many of the young people I met whose lives had absolutely been turned around, often from very negative behavior to confidence and hope for a fulfilling future. In fact, I invited several of these young people to Washington to testify with me before the House and Senate--and what powerful testimony these 17 and 18 year-olds gave to the great potential of our training programs.

*I was also greatly inspired by the strong, courageous men and women of Poland, during my visits to Warsaw and Gdansk last August and November.

In conjunction with the AFL-CIO, which has contributed so much to Solidarity and the movement to democracy, we are now implementing our part of the Administration's plan of assistance for Poland. And I very much appreciate the Congressional legislation which authorized me to solicit private funds for the aid of Poland.

I look forward to working with members of this Committee as we build upon the accomplishments of the past year. This concludes my prepared statement, Mr. Chairman. I will be happy to take your questions.

COMMENTS BY SENATOR HARKIN

Senator HARKIN. Madam Secretary, thank you very much for a very fine statement.

I want you to know that as the chairman of this subcommittee I have been watching your efforts of last year, and let me say, as an individual and as the chairman of the subcommittee, that I think you have done a very, very good job.

Secretary DOLE. Thank you, Senator.

Senator HARKIN. It has been a pleasing change.

You don't have to comment on that. But it has been a great change. What little disagreements we have are on the edges, where the disagreements ought to be, and not in the main, central theme of where we are going. What you have done with the redirection of the JTPA Program I think is highly commendable. Again, I commend you for a great first year.

Secretary DOLE. Thank you.

I hope that that JTPA legislation will pass early in this year, so that we can really begin to put these ideas into place.

You know, the Labor Department truly is the people's department. There are so many areas where you can make an impact, make a difference for people.

It is a joy to be there and to have the chance to work with you.

Senator HARKIN. I am really pleased that you followed up on everything you said in your testimony last year. You followed up on it and pushed for it.

Also, I was just looking over your left shoulder and I see a good friend sitting there—Justin Dart, is here with us today.

As you know, Justin is the Chair of the President's Committee on Employment of People With Disabilities. He worked very hard on the 1988 bill.

I know that President Bush is committed to signing the Americans With Disabilities Act, and I hope we get it down there some time very soon.

Secretary **Dole**. Yes.

Senator **Harkin**. I look forward to the role that Justin and you, Secretary Dole, will be playing in continuing to provide technical assistance to employers through the job accommodations network, to get them up to speed so that they can comply with the provisions in the most cost-effective manner.

I look forward to working with you on that as soon as we get the bill down to the President.

Secretary **Dole**. Very good.

Senator **Harkin**. You have a great person there in Justin.

Secretary **Dole**. I agree.

Senator **Harkin**. Let me just cover a couple of items that I have heard a lot about from my home State of Iowa and other areas.

OLDER WORKERS PROGRAM

One has to do with the Community Service Employment Program for Older Americans. Right now, they are typically paid the minimum wage, which as you know, it is going to be going up.

The fiscal year 1991 budget does not fully adjust for this. In fact, there is basically a cut of about $14 million, which will result in 6,000 fewer enrollee slots for fiscal year 1991, and about 10,000 fewer participants.

I understand that this is based upon the fact that a slot lasts for something like 9 months. And so, while there will be 6,000 fewer slots, it means that 10,000 fewer people will be able to participate.

You know, these are the programs where older Americans are hired to perform different community service functions. It is a great employment opportunity. It keeps the elderly off welfare and gives them some respect, some dignity.

In Iowa, the program that we have there is called Green Thumb. They contract with the Department of Labor. It is sponsored by the Farmer's Union and is called Green Thumb, Inc.

Let me just read you a letter that I received from a woman last year.

It reads:

> Dear Green Thumb People: We love all of you and want to say a great, big thank you for all you've done for us. I'll tell you, we were down and out. Ernestine Jutkins and her staff picked us up and gave us jobs. It was a thrill to find we could still get work and receive a paycheck. Our farming operation did not hand out a paycheck.
>
> Thanks to encouragement from Ernestine, we now have new jobs. Meredith works as a park attendant at Red Hawk State Park, and I work as a teacher's aide to a handicapped little girl at the Mormon Trail.

This was an Iowa couple that had lost their farm, an elderly couple who lost their farm, and Green Thumb found them jobs.

I have heard a lot about this program. Every time I go to a congregate meal site or visit with the elderly, I hear a lot about this program.

Let me just ask this. Other than for the normal reasons of budget constraints, is there any program reason for not maintaining, or, in fact, increasing, the number of slots and enrollees?

Secretary **Dole**. No.

It is a result of the budget constraints, Mr. Chairman. I wish that it did not have to be so. Obviously, those receiving the funding will get the higher level. But it does mean fewer numbers. And it is purely the budget constraints.

I understand the value of these programs and I wish it didn't have to be so. But that is exactly why it has occurred.

FISCAL YEAR 1990 SUPPLEMENTALS

Senator **Harkin**. How much would you need in a supplemental appropriation to maintain it at the higher minimum wage?

If you don't have that answer right now, could you supply that to me?

Secretary **Dole**. Yes; and, of course, there is an agreement with regard to supplementals this year, concerning whether there is a dire need.

Senator **Harkin**. What is the agreement?

Secretary **Dole**. The agreement is a bipartisan agreement with the Congress and the administration. Last April there was an agreement that, unless there were a dire emergency, we would not ask for supplementals in this budget year. I believe that was signed off on last April.

But I will be glad to get those numbers to you.

Senator **Harkin**. A dire emergency is in the eyes of the beholder, I guess.

[The information follows:]

Additional Funding Required To Maintain the Older Americans Program at the Program Year 1990 Slot Level

To maintain the same 63,200 slots in program year 1991 as financed by the program year 1990 Community Service Employment for Older American appropriation would require a total of $382,817,000 or $40,003,000 more than the current request of $342,814,000.

OLDER AMERICANS PROGRAM

Senator **Harkin**. This is a very important program. As I said, it cuts out 10,000 people. These are older Americans, at a minimum wage. These are usually short-term job opportunities that get them through a period of time between a job loss, or a farm, or a business closing, and gets them into something else. It's very effective.

I think that anybody who looks at it, whether it is the inspector general or GAO, will tell you that it has been a fairly effective program.

OSHA FTE INCREASE AND ERGONOMICS

Another thing I want to ask about is the OSHA increase. This has to do with the disabilities caused by repetitive motion, carpal tunnel syndrome, in the meat packing industry. You have requested an additional 34 staff to focus on these problems.

Secretary **Dole**. That's right. That's really 27 enforcement staff and 7 technical support people.

Senator **Harkin**. I want to tell you that I am pleased about this. But I guess I still have to ask is this an adequate amount?

Secretary **Dole**. I think, based on what we did last year, with an increase of 179 FTE—that was a 10-percent increase, the first that had been requested in a decade—that, plus the 34 FTE which we are adding now, give us a good, strong component.

We will be focusing on those high hazard areas. We find that about one-half of the complaints come in the area of ergonomics. It is definitely an area that needs a strong focus.

We have a national emphasis program which will be going forward, focusing on the meat-packing industry first. Then we will learn and hopefully will have a successful program with guidelines that I think are going to be very useful to industry. But, learning from that, we can determine if, indeed, the voluntary plan works. If it does, fine. If it does not, then we'll consider a mandatory standard.

What this will involve is basically bringing all of our resources to bear. There will be strong enforcement actions. And you know that there have been a number of large fines in this area—large fines for egregious behavior, or large fines because the reports are not accurate. And so much depends on accurate reporting, both for the companies and for the Government as we target our resources to those areas of the highest need.

So the strong enforcement will continue, as well as highlighting examples, exemplary examples—in other words, cooperative work with industry.

We'll be going forward with education, with information. By June, we hope to hear from the companies as to whether or not they are going to establish a program of their own. Then we will begin indepth inspections. These are going to be very comprehensive. Three very comprehensive inspections will equal about 1,400 regular inspections.

We will be looking at, first of all, those companies that have a plan. Are they following their plan? Are they complying with it?

For those that don't have a plan, we'll be taking a very hard look at them. And then, as we have the resources, we will be looking at the smaller companies, but also offering a publication we call "Ergo Facts," which contains information that can be helpful to employers. For example, possibilities include rotating employees and redesigning tools and workplaces. There are many ways to do this.

I think we can provide a lot of assistance.

We want employees to be involved. They are the ones who can certainly help with these redesigns. Then we will also offer consultation to these smaller companies. But we will look at all of the larger ones in terms of compliance.

Senator **Harkin**. A couple of years ago, the Iowa Beef Packers and the union reached a landmark agreement. One of the portions of that agreement was about this issue.

Secretary **Dole**. Yes.

Senator **Harkin**. I hope you will look at what they have done because they have been the leaders in this area.

Secretary **Dole**. Absolutely. That is very much involved in this whole effort. No question about it.

Senator **Harkin**. The Iowa Beef Packers and the union have really taken the lead in working out this problem.

Secretary **Dole**. That's right. We certainly are utilizing that experience.

Senator **Harkin**. I would say, figures from the Bureau of Labor Statistics show that out of every 10,000 meat packing workers, 783 suffer from some repetitive motion disorders. So it is a big problem.

Secretary **Dole**. Yes; it is.

Senator **Harkin**. That is why I was concerned whether 34 additional persons would be enough or not.

Secretary **Dole**. Well, that is on top of a 10-percent increase just this past year.

We will be utilizing the additional inspectors for high hazard industries, and certainly ergonomics account for one-half the occupational illnesses in this area. So that will be right at the top of the list.

But I think this is adequate. And, as we go along, if we feel additional personnel are needed, I will be back to you, Mr. Chairman.

I have been in the job for just a year now, and we have already made two requests. We will continue to analyze it.

Senator **Harkin**. Thank you very much, Madam Secretary.

Secretary **Dole**. I thank you.

Senator **Harkin**. I would now turn to my distinguished colleague from North Dakota, Senator Burdick.

Senator **Burdick**. Good morning, Madam Secretary.

Secretary **Dole**. Good morning.

Senator **Burdick**. It is good to have you with us today.

Secretary **Dole**. Thank you.

NEW JOB CORPS CENTERS

Senator **Burdick**. I would first like to express on behalf of my State of North Dakota our sincere gratitude for selecting Minot as the site for one of the new Job Corps Centers that Congress funded in 1988.

North Dakota's young people are certainly looking forward to the day the new center opens.

In this regard, I would like to ask you where the Department is in that process.

Secretary **Dole**. We expect that that center will open in fiscal year 1992, Senator Burdick. I look forward to that day as well.

In fact, we expect to have two new centers in fiscal year 1991, two in 1992, and two in 1993, for a total of six. We are very pleased that this is moving forward well.

Senator **Burdick**. Thank you.

I understand a team of architects and engineers recently completed an estimate of how much it would cost to renovate the facilities which will house the center.

Do you have those figures or any other details on how plans for this center are progressing?

Secretary **Dole**. I will have to supply those for the record. I don't have those right at my fingertips this morning. But I will be happy to get that for you.

[The information follows:]

STATUS OF NEW JOBS CORPS CENTER IN MINOT, ND

The team of architects and engineers who recently completed the utilization study of the Minot facility are now formulating various renovation and construction options. They will be briefing Department of Labor staff in the near future. When the final report is issued, we will provide a copy to your office and to the Committee.

STATE EMPLOYMENT SERVICE REDUCTION

Senator **BURDICK**. What is the status of the fiscal year 1989 Job Corps operation shortfall?

Mr. **JONES**. Senator, we don't at the moment have a shortfall in 1989. Those slots are fully funded, and we are operating at the level we should be.

Senator **BURDICK**. The proposed fiscal year 1991 budget includes $722.6 million for State grants to operate the Public Employment Service, a reduction of over $56 million from the current year.

With the growth that we are seeing in the work force and the difficulties employers are having in finding qualified workers, how do you see the Public Employment Service meeting these needs with that type of cut?

Secretary **DOLE**. Meeting these needs with the reduced levels?

Senator **BURDICK**. Yes.

Secretary **DOLE**. Senator Burdick, I feel that we need to take this on as a major initiative to reform the Employment Service.

I don't think the Employment Service is living up to its potential right now because it is still geared to the 1960's, when we had a labor surplus. We have labor shortages today. I think there are ways that we can address the needs of the 1990's in a more effective way through the Employment Service.

I want to consult with you and other members of the committee as we prepare legislation to present to you in this respect.

I think there is general consensus that there is a better way to go about this. There is not consensus on how to do it. But there are a number of ideas that we want to explore with you. So my concern is on that broad level that we are putting almost $800 million a year into the Employment Service, but a very small percentage of the work force is being placed through the Employment Service.

We can do a much better job.

Now that won't be easy, and we'll have opposition. But I think that we can reform it to make it much more efficient and effective.

Regarding the current funding situation, reductions include the targeted job tax credit which expires in September, and a decrease in allotments to States due largely to constraints. We also have an increase of about $15 million in this area principally for automation.

As I say, what I want to do is look at the big picture in terms of seeing if we can't make that almost $800 million much more effective in terms of how taxpayers' money is being spent here.

Senator **BURDICK**. Madam Secretary, thank you very much.

Secretary **DOLE**. Thank you.

Senator **BURDICK**. Thank you, Mr. Chairman.

Senator **HARKIN**. Thank you, Senator Burdick.

SENATOR SPECTER COMMENTS

Now, I would like to recognize my distinguished ranking member, Senator Specter.

Senator SPECTER. Thank you, Mr. Chairman.

Secretary Dole, I regret that I could not be here at the start of the hearings. We are hearing Clarence Thomas' nomination upstairs for the U.S. Court of Appeals for the District of Columbia.

Secretary DOLE. Oh, yes; that's right.

Senator SPECTER. That has taken on substantial additional overtones in terms of controversy. It's almost being treated like a Supreme Court nomination, in a sense. It's just one floor above us.

But I did want to come down and join in this hearing to the extent that I can, although I have to return there.

PITTSTON-UMW SETTLEMENT

I start by complimenting you on a very effective year's work. It came to a close on New Year's Eve. And special compliments for your undertaking the job on the Pittston-UMW controversy.

I saw firsthand the intensity of that issue when I had meetings with coal miners in the fall in western Pennsylvania. I saw an attitude which was different from any that I had seen in the 10 years that I've been in the Senate, where there was a view that governmental process had just let them down, and the judicial process was failing. It was as close as I have heard to talk of anarchy, because of the deep seated feelings that there was not just a sense of fundamental fairness.

When you took over on that issue and brought it through to a successful conclusion, I think that was a very remarkable showing. It exemplified what government ought to do in offering good offices in trying to resolve a complex dispute of that sort.

From my knowledge of your work generally, I know that that is typical as to your sense of purpose, although it all does not receive that kind of notoriety and that kind of public visibility.

Secretary DOLE. Thank you, Senator Specter. I really appreciate that.

ROLE OF THE SECRETARY OF LABOR IN LABOR-MANAGEMENT DISPUTES

Senator SPECTER. I have a few areas that I want to ask you about. I will not question you for too long because others of my colleagues have been here even before my arrival and are waiting to question you.

I would like to raise very briefly with you a subject which you and I have discussed privately, and that is the issue of Eastern Airlines—not so much for Eastern Airlines' dispute in and of itself, but for the broader subject of the appropriate role of the Federal Government and the Secretary of Labor in getting involved in complex labor issues where the good offices of the Secretary might produce a solution.

There are many Eastern employees in my State. It had seemed to me, notwithstanding the different laws which are involved, that it would have been useful for the Federal Government to become involved.

When I raise this subject with you, I understand that, as the Secretary of Labor, you are not the President and you do not set the administration policy.

But I would be interested in your broader views as to the appropriate role of the Secretary of Labor and the Federal Government in dealing with labor issues like Pittston-UMW, or Eastern, or other analogous problems.

Secretary DOLE. Senator Specter, I will be happy to do that. It does mean some discussion of the two different laws involved and also what happened earlier on the Pittston situation.

I think you almost have to go case by case in terms of analyzing what the appropriate role of this Department would be.

First of all, in the Pittston situation, just to review quickly what happened, I met with Paul Douglas, the chief executive officer of Pittston, and with Rich Trumka, the president of the United Mine Workers, and Bob Baker, who is the Acting Director of the Federal Mediation and Conciliation Service. I met with them separately back in the summer.

At that point, Baker told me that the next day they would go into mediation. Obviously, I wanted to give that process an opportunity to work.

Several months later, when it appeared clear to me that there was no movement, I felt that the timing was ripe for me to use my good offices, so to speak, to try to facilitate the collective bargaining process.

The thing that is important here is that under the NLRA, the procedures are voluntary. In other words, the parties had a choice, an option, whether or not to present this dispute to the Federal Mediation and Conciliation Service, and they did.

When I visited the coalfields, I saw this dispute—and you described it; it was so bitter, tearing communities apart, tearing families apart. In fact, in a number of instances, it was literally brother against brother. There were tears on both sides—miners who were out on strike and miners who either stayed on the job or were replacement workers, both describing to me these problems with a great deal of emotion. I could see how it was tearing the communities apart.

I felt that I should try to facilitate the collective bargaining process.

But, believe me, this is by consensus. In other words, I have no authority here. I asked the parties to meet with me together. They agreed to do that. Either could have said, "No, I won't." But they agreed.

We met for almost 2 hours.

At that point, I told them of my decision to move forward with a supermediator. They agreed.

Then, about a week later, I got in touch with both to tell them who I wanted to appoint. Once again, there was agreement.

So this was a consensus process.

ROLE UNDER THE RAILWAY LABOR ACT

Now, under the Railway Labor Act—and Eastern, of course, would be under that particular legislation—there is not the option of whether or not to go to mediation; it is mandatory.

There had been 12 or 13 months of mediation when the National Mediation Board, which has very specific responsibilities, statutory responsibilities, made the determination that an impasse had been reached. Then there was the opportunity for a presidential board to be established.

Now, at that point, there were certain statutory requirements to be met, and they really were not met. I think the time that has intervened since has indicated that this is not the kind of situation that would tie up, for example, transportation in a section of the country, that would be totally disruptive.

So the standards for that emergency board were not met in that dispute.

As far as my role there, in going back a number of years, I cannot find that any Secretary of Labor has ever offered good offices in that set of circumstances. You'd have to be very careful about the statutory role of the National Mediation Board and the requirements for mediation. It is a very different process.

It is really apples and oranges, in terms of what the appropriate role would be.

But I would just say, that I think we can't say that any one situation is the foundation for action in another situation. You have to look at it case by case. Where you feel you can play an appropriate role to facilitate the collective bargaining process, as you have seen, I do not hesitate to do that.

But I did feel that the FMCS—and I have great respect for that body—deserved the opportunity to try to work that out. That is why I waited until they had had several months.

The issues were just so difficult in this particular dispute. There were overriding issues that go beyond these particular retirees. Retiree health benefits for the whole coal industry, I think is going to be a pivotal issue of the 1990's.

I will be setting up a commission to look at the broader issues, at how the 1950 and 1974 plans to solve the retiree health benefits problem will impact on the entire coal industry.

But, to try to summarize all of this, I guess the bottom line is it really has to be case by case.

COAL INDUSTRY ISSUES

Senator SPECTER. Secretary Dole, I appreciate what you have said, and I would like to submit some questions in writing. One of them that I would ask you to respond to is what are your plans in detail for the future on the coal industry issues.

Secretary DOLE. Yes.

Those issues, of course, will be dealt with by this blue ribbon commission, that I will be prepared to announce very soon after ratification of the contract takes place, which I hope will be soon. They have a lot of hurdles. They have to get approval of the trustees. They have to go to courts, the NLRB.

As soon as those matters are concluded and the contract goes to the employees, they'll have a chance to ratify it. Then we will move to set up the commission and give them a 6-month timeframe.

A lot of that will be discussed by this blue ribbon commission.

Senator SPECTER. I understand what you say in terms of a case-by-case analysis. I will not pursue it further, except to say that my own sense is it is very different when the Secretary calls in the parties as opposed to a mediation board, or when you bring in a Bill Usery.

But I understand your thinking, and I, again, would just compliment you and encourage more in the future.

LABOR SHORTAGE AREAS

Let me shift to what I consider to be a question of which there is none bigger, and that is the training of the people who are difficult to place in jobs in areas where there is a labor shortage.

This is a question which I discussed with you last year. I want to discuss it very briefly today. I acknowledge, again, the cooperation of Assistant Secretary Jones.

Focusing for just a moment on the Philadelphia labor market, which is illustrative in the country, I was surprised to find about 2 years ago a blaring headline in the Philadelphia Enquirer, that Philadelphia and southeastern Pennsylvania was a labor shortage area, and yet we have 220,000 to 300,000 people who were looking for jobs.

Your Department has been very cooperative on that line. We have not had the kind of cooperation from PIC, frankly, in Philadelphia that we have sought after.

What I would like to ask you is this. What progress has been made during the course of the past year, since you appeared last year and we discussed this. Perhaps you might relate it specifically to our efforts to bridge that big gap between the 220,000 and 300,000 unemployed people in the Philadelphia metropolitan area, with the fact that it is a labor shortage area, with emphasis on what has been done and what could be done further, to encourage businesses who need employees to undertake part of the training responsibility.

Secretary DOLE. That is a big subject. It is hard to decide where to start and where to stop.

Let me just try to summarize some of these things because I think this is an absolutely key issue.

If we are going to remain competitive in a global market, as a top priority we must address ourselves to this issue of the skills gap and the motivation gap, which exists in many cases as well.

It is not just with new entrants. We have, of course, the difficulty that anywhere between 20 and 40 million American adults have substantial literacy problems. And, as the skill levels demanded are ever higher, they are going to have real problems as well.

So there is a great deal that does need to be done.

First of all, as far as work force quality, I feel that we have to look at long-range efforts and really lay out a plan to try to address this in a number of different ways. In other words, I don't want to go for quick fixes, as I mentioned in my testimony, that may grab headlines but that don't do anything very meaningful by way of permanent solutions to the problems.

SKILLS GAP

On the skills gap, I mentioned earlier that business men and women tell me constantly it's not just the jobs of tomorrow. It's the jobs of today, you know, they say that what we have to offer, the young people out of school are not qualified to fill these jobs. They don't have the kind of skills that we need for the jobs of today and tomorrow.

So I appreciate very much the help of this committee as we move forward with these initiatives. I will be appointing a blue ribbon commission very soon, comprised of business leaders, labor leaders, and education leaders, with the mandate to hammer out national competency guidelines for work readiness, within a variety of job clusters, hammering out exactly the kinds of skills that are needed. Then we want to use those guidelines in the schools for curricula development, for promotion and for graduation.

Other topics, such as school to work transition will also be addressed. A lot of our young people come out of school and kick around for a couple of years trying to find their right place in the work force.

We are one of the few industrialized nations that does not have a formal school-to-work transition. We hope, through demonstrations, and through a national conference to be held this spring, to really examine with the business community and others on how we can do more in this area.

A number of businesses are establishing literacy programs. It is very interesting to see how they are enabling their work force to participate in literacy training at this point.

We see greatly increased numbers in this area.

But only about 1.3 percent of payroll expense is focused on job training now. I think much more can be done. We want to help to mobilize the business community in that respect.

There are other things that can be done: apprenticeship programs, for example, the principle means of training in the construction industry. We think this can go a long way if we put together an advisory committee to look at accreditation and how the Department can serve that role of accreditation, and to try to entice other industries, maybe in the service industry, to adopt this approach as well. We think this can work well in service-oriented jobs as well, to provide a portable skills level—in other words, accreditation—so that you can quickly match up employers and employees by understanding exactly what level of skills they have in these different areas.

This principle can be utilized much more extensively.

Another area would be reforming the Employment Service, so that it really is meaningful in trying to match up people.

AT-RISK YOUTH

Regarding at-risk youth, I feel for many reasons we have to focus our attention on, and almost $253 million additional money is requested in order to train young people.

I would do it if, for no other reason, than to see those young lives turned around from very negative behavior to the ability to go forward with a lifetime of productive work.

I think this is a way of affecting all the social problems that we are facing today—teenage pregnancy, teenage dropouts, alcoholism, drugs—with the self-respect, the independence that a job provides. And, employers are going to need these workers because they are competing already for workers—whether it is women, or the disabled, or the disadvantaged.

We have an opportunity to bring people into the work force who have been last in line.

I want to see us seize this window of opportunity and really provide the skills that young people need to fill the jobs that our employers have to offer.

JTPA AMENDMENTS

But there is a motivation gap, as well as a skills gap. That is why I would address it through changes in the JTPA that provide a total support system, with counseling, with remedial education, with literacy, as well as training for a job.

This way there will be much more indepth training through JTPA.

I think as we do analyses of each person, developing a service strategy for each young person, the quality of the programs in JTPA is going to be much higher as well.

I know that I'm all over the map here, and there is so much more that I would like to say. But I am very much committed to seeing how we can bridge the skills gap and this motivation gap.

Senator **SPECTER**. Secretary Dole, those are big subjects.

My time would be up if we were having a clock here, and I am not going to ask you to respond to any more questions now.

I cannot return for a second round. I would like to pose two more questions and ask for your responses in writing, if I may.

ADDITIONAL QUESTIONS

One question relates to the Mine Safety and Health Administration, where I note that there is a difference of some 50 positions, and the rate of fatalities in coal mining has increased in recent years.

I would like to get your response in writing on that.

Secretary **DOLE**. Yes, Senator.

Senator **SPECTER**. I would also like to have a response in writing on the subject of potential job training which might be directed to those who are on drugs and who have been detoxified.

We had Dr. Bennett into the Judiciary Committee on Friday, and his emphasis is more on enforcement, or on the supply, than on the demand side, which I personally disagree with, as to education. Then the issue comes up in job training.

I would like to have your views in writing on what might be done to bring people into the job market through training once you have the detoxification.

Secretary **Dole**. Yes.

[The information follows:]

Job Training For Drug Abusers

Unfortunately, drug abuse is one of the social pathologies that disproportionately affects the economically disadvantaged population that is served by JTPA programs. The administration's proposal to amend JTPA will focus the program on an even more "at-risk" population than is currently being served and, undoubtedly, a significant portion of the participants will have a history of drug abuse. Many of these individuals, in addition to being economically disadvantaged, face other barriers to employment, such as having basic skills deficiencies, or being teenage parents, homeless, or school dropouts. The amendments also recognize that some youths and adults face substantial barriers to employment but may not meet family income criteria because of income of other family members. Up to 10 percent of participants could be non-economically disadvantaged, if they face severe barriers to employment such as drug addiction.

I believe the JTPA amendments, which are currently under consideration by the Congress, will do much to address the severe problems which this population must overcome to be successfully employed. Each individual must be assessed to determine the specific services they need, and an individual service strategy must be designed. This is especially important for those who have had drug addiction problems. Drug and alcohol abuse counseling and referral is one of the services that will be incorporated into the new program design.

Just as critical to the direct services available through JTPA is the increased coordination required between JTPA and other job training programs, as well as other public and private programs available to assist this population. Together, these programs can provide a more comprehensive and cost efficient approach which minimizes duplication and allows increasing numbers of drug abusers to be helped. The JTPA Amendments will also facilitate better coordination and linkages through two new programs: Youth Opportunities Unlimited and State Linkage and Coordination grants.

The problem of drug use remains one of the greatest challenges before us. I believe that the administration's proposed combination of both prevention programs aimed at reducing the number of individuals who start to use drugs and helping those who are trying to stop using drugs, and the education and training programs such as JTPA which provide the tools to be productive members of society, can have substantial success reducing drug use in our society.

MSHA REDUCTION

Senator **Specter**. Again, I compliment you on your work and express my regrets, once again, that I cannot be present for the second round because I am going to be occupied with the nomination.

Secretary **Dole**. May I just make one comment on the questions you asked me to respond to in writing? Just one quick comment on the reduction of 50 FTE's in mine safety.

That involves a decrease of just two inspectors between the number currently onboard and the fiscal year 1991 request.

I just want to assure you that all of the four required inspections of underground mines, and the two for surface mines, will be performed, even though we do have a small decrease in inspectors between the 2 years.

This is because of Gramm-Rudman sequestration and the absorption of a pay increase. But, most definitely, I am watching the situation carefully, and I will answer those questions in writing.

Senator **Specter**. OK.

We'll talk more about that beyond the hearing.

Thank you very much.

Secretary DOLE. Thank you.

Senator SPECTER. Thank you, Mr. Chairman.

[The information follows:]

STAFFING REDUCTIONS IN MSHA

The staffing reductions in MSHA will not affect the Agency's ability to perform all mandated inspections and other activities required by the Mine Safety and Health Act of 1977. Budget constraints have required staffing reductions in MSHA of 99 FTE in fiscal year 1990 and 50 FTE in fiscal year 1991, and there are reductions in the number of inspector positions in both years. The fiscal year 1990 enacted level provides for 1,150 inspector FTE and the fiscal year 1991 request includes 1,139 or a reduction of 11. These reductions will be achieved through attrition and at this point in the fiscal year most of the fiscal year 1991 reduction has already been achieved. As of January 20, 1990, MSHA had 1,141 inspectors on-board. So, the request for fiscal year 1991 is only 2 inspector positions below the current number.

All of the workload impact of the inspector reduction will occur in nonmandatory inspection activity. In the Coal Mine Safety and Health program, this will be in the area of compliance assistance, compliance followup and special inspections. The inspection activities currently accomplished in separate inspections will be absorbed or integrated into other inspections. In this way, no adverse impact is expected on the safety and health of coal miners.

Over the past ten years, both the number of fatalities and the fatality rates in the coal industry have decreased substantially from 131 fatalities and a rate of 0.06 in fiscal year 1980, to 70 fatalities and a rate of 0.04 in fiscal year 1989. This was achieved alongside of increases in production from about 800 million tons in calendar year 1980 to almost 1 billion tons in calendar year 1989. While fatalities were up slightly in fiscal year 1989, it was still the third lowest year on record.

JOB TRAINING IN HAWAII

Senator HARKIN. Senator Inouye.

Senator INOUYE. Thank you, Mr. Chairman, and thank you, Madam Secretary. This is beginning to sound like a lovefest.

Like my colleagues, I am here to congratulate you for a job well done and to compliment and commend you and acknowledge with deep gratitude the sensitive manner in which your Department and your able assistants have responded to certain unique labor problems in Hawaii.

As some may be aware, we have just as many Samoans living in Honolulu as there are in all of Samoa. As a result of treaty agreements we have reached with the former sovereign nations of the trust territories, these people are now coming into Hawaii without passports—no visas are necessary—and, as a result of certain decisions we have made here, large numbers of boat people are arriving into Hawaii.

And so, we have in Hawaii a disproportionately large number of Samoans, Pacific Islanders, and Southeast Asians. The assistance you have provided the State of Hawaii has worked very well. It is really working now. We are able to match people with job opportunities, and I think it is a success story that should be made known throughout this country. These are small numbers of people, but they are the people who are the results of decisions we have made.

Samoa is a possession of ours. We now have special relations with the Pacific Islanders, and I think there is an obligation with the Southeast Asians.

I just want to tell you that we in Hawaii are very pleased with the work that you have provided us.

Secretary **Dole**. Thank you, Senator.

Senator **Inouye**. The Samoans are very happy, the Pacific Islanders are happy, and I believe the Southeast Asians are happy.

So I have no complaints.

Secretary **Dole**. Oh, that's wonderful news. It's music to my ears. [Laughter.]

Bob, I think you and I just need to go out and visit.

Senator **Inouye**. And, incidentally, all of this was done with a $2 million grant.

Senator **Bumpers**. With a line like that, he ought to run for something there, don't you think? [Laughter.]

Secretary **Dole**. Thank you, Senator.

Senator **Inouye**. Thank you.

Thank you, Mr. Chairman.

Senator **Harkin**. Thank you.

Senator Cochran.

Senator **Cochran**. Thank you, Mr. Chairman.

Madam Secretary, welcome to our committee. It is good to see you.

Secretary **Dole**. Thank you.

RISING HEALTH CARE COSTS

Senator **Cochran**. I was making a list of things I was going to bring up or comment on, to ask you about, and it seems that most of the subjects have already been raised with you. I was going to compliment you on the work you did with the Pittston Coal strike.

Secretary **Dole**. Thank you.

Senator **Cochran**. Also, I know you are working on the underlying problem, as you pointed out, the establishment of a commission to examine retiree health benefit issues in the coal industry.

I was also going to go one step further and ask about whether or not there is any work being done or attention being given in the Department to the increasing complexity of the issue of who pays for the rising costs of health care—employees, employers—and the so-called shifting of the burden that some are alleging is taking place in some industries or in some employment situations between management and labor.

This is an issue that I think is troubling everybody, whether you are in an employment situation where that is an issue to an employment contract, or whether you are just trying to attend to the expense of paying the costs of health care of an elderly relative or other family members, or paying insurance premiums.

Now, what is the reaction that you have to this situation, and what does the Department have in mind? What do you see your role in all of this to be?

Secretary **Dole**. I would hope that, as we go forward with this blue ribbon commission, which will be specifically looking at the 1950 and the 1974 plans in the coal industry and how a resolution to the problems there would impact the entire coal industry, I would hope that this experience, and the fact that we are going to delve into this in depth, would throw some light on the bigger issues or would give us some experience that would be helpful in looking at the larger issues.

You know, the President has just announced a commission or a group that is going to be looking at these kinds of issues. Connie Horner, who is the Deputy Secretary at HHS, has been very hard at work on these issues. In fact, we are making certain that we are coordinating very well here, so that there is not overlap and duplication. Theirs is a much broader role.

That really is where the focus is, and we will be working with them as we move forward in this area.

So I think it is more a cooperative thing; helping in any way that we can as they take the lead on this broad issue of health costs. You know, if we can come up with the answer to that one, we will have really solved a major, major problem that ~~we ha~~ve in this country.

But we certainly are concerned about it, are following it closely, and I hope we will have something to offer in 6 or 8 months when we complete the work of this commission on that broader issue.

Senator Cochran. I just sense that it is going to continue to be an issue that will divide labor and management——

Secretary Dole. Yes.

Senator Cochran [continuing]. And will be the continued subject of contract negotiations, and possibly result in other work stoppages in other industries, and have a crippling effect on the relationship between employers and employees.

Secretary Dole. Yes; I think that's right.

COOPERATION BETWEEN LABOR AND MANAGEMENT

Senator Cochran. I, therefore, feel that the Department of Labor has a very important role to play if we are going to have a good working relationship between employers and employees and continue to be productive and all the rest, and avoid long, protracted and crippling strikes. This is something we do need to address very quickly.

Secretary Dole. That's right.

I am encouraged by the last decade, where the trend has been, I feel, toward providing ways for labor and management to cooperate, to work through confrontation to cooperation. I look at what is happening in the UAW, with the Communications Workers of America, and AT&T, and a number of areas where they have joined forces for job training, and trying to address the issue of competitiveness on a global basis. There is so much that is positive that has happened in that area.

I agree with you that this is something we have to look at closely which could have an impact on that positive trend toward labor-management cooperation.

WORK-BASED LEARNING

Senator Cochran. I think also your comments about the efforts of some businesses to address literacy problems and education training problems in the workplace are very important for us to consider.

We have on the floor of the Senate today, as a matter of fact, for a vote, a literacy bill that has been produced by the Labor and Human Resources Committee of the Senate. The Excellence in

Education Act is also going to be addressed today. We may be debating that already, and we may get to some votes on amendments later on.

I know in our State when Weyerheuser came in to establish a very large wood products plant near Columbus, MS, the first building they constructed was really an instructional center to try to help equip workers who would be applying and joining that plant with basic skills that were going to be needed at that place.

It was an interesting thing to see when visiting that site, that more and more, industry is having to or considering it a wise investment to try to help provide some job skill training to workers.

Maybe that is a criticism of the public school system. Whatever it is, there is the need for that kind of use of corporate resources in our society today and we sometimes overlook the big role they are playing.

Secretary Dole. I definitely think business involvement with education is crucial, and the partnerships that have been developed, the education/business partnerships, are very impressive.

I am so pleased that the President has set goals now with the 50 Governors for moving forward in education, that by the year 2000, for example, students coming out of the 4th grade, 8th grade, and 12th grade would show competence in key areas, as math, science, geography, history, and English. Bob Jones and I are working very hard to help flesh out some of these initiatives.

It is all tied together, there is no question.

One of the first things I observed when I got to the Department was that in order to make a significant impact in this area, a quality work force and helping our at-risk youth, I need to be working hand-in-glove with the Secretaries of Education and HHS. We cannot afford to have bureaucratic barriers that separate us. We cannot afford overlap and duplication. We must work together.

I think we have made a lot of progress in this past year in bringing down those barriers by working together. For example, in drafting the regulations for the Jobs Program and the amendments to JTPA and the VocEd Act, we worked together to fashion these in a way that we are complementing each other and not overlapping.

This is crucial, and JTPA reflects that same principle at the local level, the State level, as well as the Federal level.

BETTER USE OF SCARCE RESOURCES

Senator Cochran. I think it is obviously a program that is working. I know that is why you requested in the budget such a sizeable increase for the Job Training Partnership Act activities. I congratulate you and commend you for getting that approved through the processes that you have to go through.

There is a lot of constraint on the budget. We know we don't have enough money to spend on every program we would like to increase support for. There are a lot of worthwhile programs out there that we are not going to be able to allocate the funds for that we would like to see allocated, just because we do need to be aware of the fact that we need to keep the budget under control.

Secretary Dole. That is right.

Senator COCHRAN. We need to reduce the deficit to help insure continued economic growth and expansion in our economy. This has to be remembered, and that is a part of the challenge.

Secretary DOLE. Absolutely.

It is not just more dollars. It is making our dollars produce more, working smarter, working more efficiently. Again, this may not be the sexy kind of thing that grabs the headlines, but it is absolutely crucial. Whether it is tying these departments together and bringing down the bureaucratic barriers, or whether it is, for example, looking at the JTPA and saying we can provide year-round, indepth training to arm these young people for a lifetime of productive work, that is going to be much more effective than, say, having just a summer job program where you get them off the street.

So I would say it is not just the increase in the funding. It is changing the whole thrust of the program, and targeting it to those who are most disadvantaged. Many economically disadvantaged individuals can make it into the market on their own. We have to go after the ones that need that intervention.

So, I am very excited about the opportunity to provide something that can benefit them a lifetime. We have talked about the motivation gap. Counseling is very much needed. That is a part of this total support system.

You know, there is one thing I might mention here in terms of the numbers of people served. I believe it is in fiscal year 1989 that half of the people served in JTPA were summer jobs only.

I believe we would have 792,000 youth in State programs in 1990 if the law were not amended, one-half of whom would receive a summer job only. So, you go from about 400,000 youth in year-round programs to 583,000 in year-round programs when the law is amended. With the additional youth money that I hope you will give us in 1991, we can help an additional 100,000. We'll be up to 683,000 total youth getting indepth, year-round training.

I think that is pretty impressive because about one-third of those served in fiscal year 1989 were just in summer jobs. They weren't getting the year-round, indepth kind of attention that we are trying to focus on here.

EMPLOYMENT SECURITY REDUCTIONS

Senator COCHRAN. Madam Secretary, my last question is really a request, and that is for you to help me answer a letter I have gotten from a legislative committee in Mississippi, who are concerned about possible cutbacks in the funds for the Employment Security Commission, for Mississippi Employment Security Commission Offices.

Secretary DOLE. I'll be happy to help answer that.

Senator COCHRAN. I'd like to put a copy of this into the record. You've probably gotten letters like this one from each State.

Senator BUMPERS. How much do you pay for legislative correspondents? I'll answer it for you. [Laughter.]

Senator COCHRAN. I think I'd rather have her answer it, though I know you could answer it, too. [Laughter.]

Thank you very much. I'll put this letter in the record and send you a copy, and ask you to help me answer it.

Secretary **Dole**. Absolutely.

Senator **Cochran**. Thank you very much.

[The information follows:]

Letter From the Mississippi House of Represenatives

January 31, 1990.

Hon. Thad Cochran,
U.S. Senate,
Washington, DC.

Dear Senator Cochran: We, the following Members of the Mississippi House of Representatives, comprise the Subcommittee on Appropriations responsible for the annual state appropriation to the Mississippi Employment Security Commission. Therefore, we have been closely associated with the Commission and have a keen awareness of its benefits and responsibilities to the citizens of Mississippi. We are also much aware of the precarious position the Commission now faces insofar as funding is concerned.

Due to years of budget reductions in Wagner-Peyser funding and recent underestimation of work load in unemployment insurance funding, the Mississippi Employment Security Commission is faced with completely phasing out services in 72 small towns throughout this state. Immediate relief at the federal level is needed through supplemental appropriations with final resolution being on going funding at a level which sustains services to our fellow Mississippians.

The Mississippi House of Representatives is trying harder than ever to do its part in retaining the vitality of our small towns and rural communities. Accessibility to services of the Mississippi Employment Security Commission is but one of these efforts. Certainly we understand the tremendous responsibilities you face and the many requests you have for the available federal dollar. We simply ask your sincere consideration in helping us to retain the many service points in our state that are so badly needed by our citizens who use the Mississippi Employment Security Commission.

We continue to appreciate the outstanding job you are doing for all the citizens of Mississippi.

Sincerely yours,

John D. Pennebaker,
Cochairman, Subcommittee on Special Funds.
William J. McCoy, *Cochairman.*
Curtis Holston, *Member.*
Harvey Moss, *Member.*
Barney Schoby, *Member.*
Johnny W. Stringer, *Member.*
Robert E. Vince, *Member.*

TRAINING FOR YOUTH

Senator **Harkin**. Thank you.

Senator Bumpers.

Senator **Bumpers**. Madam Secretary, I would like to pursue the line of questioning Senator Cochran was following. You mentioned that over one-half the people in JTPA were in the youth programs. What percentage of the money was used for that?

Secretary **Dole**. We'll have to get that for you.

Senator **Bumpers**. OK.

Mr. **Jones**. In the proposal, Senator, for 1991, I guess that's about two-thirds of the money that will be youth-oriented money. With the increases we have asked for, it's about $1.7 billion, and about $900 million for adult programs.

Senator **Bumpers**. What I was getting at, Mr. Jones, is how the cost per young person compares with the cost per person in the regular programs.

Mr. **Jones**. Yes, sir.

This year, our costs for young people's programs will be going up in the proposals the Secretary has just outlined, because they are significantly enriched for basic skills and education requirements. The overall projections are about $2,500 for an adult program, and about $2,200 for a youth program.

Senator **Bumpers**. How much was that for the youth program?

Mr. **Jones**. It's about $2,200 for inschool youth.

Secretary **Dole**. It's about a 50-percent increase.

Mr. **Jones**. It's actually a larger increase. It used to be $1,300, and it is going to jump to $2,200.

Secretary **Dole**. It's about a 15-percent increase for adults and 70 percent for inschool youth.

Senator **Bumpers**. Madam Secretary, this job training partnership program is about a $4.2 billion program. We're talking about a lot of money.

Of course, this subcommittee's responsibility and the reason for these hearings is to try to figure out how well the training programs are working, how they can be improved, and what ought to be changed.

I assume, first of all, that you favor the job training and basic skills act, which is on the Senate calendar.

Do you?

Secretary **Dole**. Yes, right.

Senator **Bumpers**. This is really sort of a new thrust for the Job Partnership Training Act, and I must say that I favor it very strongly.

Secretary **Dole**. It's basically what I was outlining earlier.

Senator **Bumpers**. Yes.

Secretary **Dole**. We have a few disagreements, but they are minor. Overall, the Senate bill and our own version reflect similar thrusts.

Senator **Bumpers**. I have a tendency to come down heavily on the side of the JTPA amendments because I think that a lot of the programs, the so-called retraining programs, train people for jobs that do not exist.

Did you see the New York Times story yesterday on the Whirlpool Corp. in Fort Smith, AR?

Secretary **Dole**. Yes, I did.

Senator **Bumpers**. This is a classic case in point of how difficult it is to provide retraining to workers. Many of the Whirlpool workers don't want to get into retraining programs because they think they might get called back to work. Fort Smith has a very high unemployment rate right now, so there really aren't very many jobs waiting for these people.

The ones who do go into JTPA training programs might be better off getting the basic skills training than retraining for some kind of job that, as I say, does not exist.

In West Virginia, what are you going to train a coal miner to do? I mean, he probably needs literacy skills and basic skills. That is what this money ought to be going for.

Secretary **Dole**. That's right.

ON-THE-JOB TRAINING

Senator **Bumpers**. I have one other complaint, and that is about on-the-job training. I am sure you have seen GAO's report in which they very cogently point out for on-the-job training, JTPA pays 50 percent of trainees' wages. The retention rate among youth is pretty low, but among adults, it is about 60 or 65 percent, as I understand it.

But the thing that troubles me is 60 percent of the employers who take these people in these on-the-job training programs say they would have hired the person anyway.

Now, it occurs to me that this program is not worth continuing if 60 percent of the employers are saying that we would have hired these people anyway, without this governmental assistance. But if you are going to give it to us, we'll sure take it.

What is your comment on that?

Secretary **Dole**. Well, first of all, in terms of on-the-job training and the difficulties that were pointed to by GAO, we have worked hard to limit the length and improve the quality of the training and think that is key.

We have amendments in the JTPA legislation which would specifically provide for those two concerns through legislation. It would require the Governors to establish certain minimum procurement standards and then to assure that the training that is provided is entirely in keeping with the contract provisions in terms of training duration and cost. There are very specific requirements.

We have also identified two areas that we will oversee with special emphasis; one will be how the States are handling their responsibilities in terms of oversight of this whole area. The other is reviewing the procurement process.

We have tried throughout this year, in addition to seeking legislation, to also hold conferences and bring together our agency personnel at conferences and other meetings to explain the fact that we do need to limit the funding and to improve the quality of on-the-job training. Those certainly are key areas that we are pursuing.

We have identified State and local procurement systems and State monitoring of local programs, as I say, as two of our primary Federal oversight areas for this coming year.

Senator **Bumpers**. Madam Secretary, let me ask you one other question.

I guess it was the inspector general who pointed out that 85 percent of the on-the-job training contracts surveyed were for about 585 hours, which is more than double the Department of Labor's guidelines.

How can that happen?

Secretary **Dole**. We are trying to address it, both administratively, and we have taken aggressive action to do that this past year, and also through legislative amendments in JTPA, that would absolutely limit it.

Senator **Bumpers**. I think there is an amendment in this bill.

Secretary **Dole**. Yes; that's what I'm talking about.

Senator BUMPERS. The amendment would make sure that does not happen.

Secretary DOLE. That's right. Exactly.

FOCUS ON THE MOST DISADVANTAGED

Senator BUMPERS. There is one other thing, just an observation, based on people who have studied it.

A lot of people think that JTPA contractors are more likely to help the people who are likely to be successful, rather than the people who really need job training or retraining.

Now that sounds a little bit like a contradiction. We always want it to be a successful program, and if only 40 percent of the people succeed, we say well, the program is no good.

By the same token, and I'm sure you are aware of this, there is this criticism that we are trying to help people who are more likely to succeed, which I suppose makes the numbers look better. But, you know, we have a literacy bill on the floor of the Senate which we'll vote on at noon today. Obviously that bill is of critical importance to help people, particularly in the poverty areas, with development of basic skills.

Secretary DOLE. Absolutely.

The amendments would most definitely target the funding to those who are least skilled and most disadvantaged while we improve the quality of the program, the accountability of the program, and better coordination at local, State, and Federal levels.

As far as the targeting, that would be done in two ways. One way is geographic, changing the distribution formula from heavy unemployment weighting to a heavy economically disadvantaged weighting. So the weighting formula is adjusted totally changed to do exactly what you want. That is geographic areas.

Another approach is to focus on the people involved because, like you say, we have been training some people who can make it on their own into the market, and we do not have unlimited funds. Let's make them count for as much as we possibly can and get to those who need this intervention who cannot make it on their own into the market.

So how do we do that? We do it by saying not only must you be economically disadvantaged, but you must also have another barrier to employment, such as lacking in basic skills, being homeless, or being a teenage parent. Unless you meet both criteria, you would not be a part of the program.

So, as you say, there are many who will make it into the market on their own, no question. They are economically disadvantaged. But we are going to target to those who need it the most.

Senator BUMPERS. Currently, the unemployment rate in an area often determines who is going to get a contract for JTPA retraining.

Secretary DOLE. Right.

Senator BUMPERS. As I understand it, one of the provisions of the JTPA bill would adjust the formula to reflect those people who have dropped out of the labor pool and therefore are not reflected in the normal monthly labor statistics on the unemployment rate.

Secretary DOLE. Yes; that is the change in the geographical weighting. In other words, two-thirds now is weighted for unemployment. Now we are going to change that so that the heavy weighting is really on the economically disadvantaged.

Senator BUMPERS. Oh, I see. That is what you were saying.

Secretary DOLE. Right. Only 12.5 percent of the weighting would be on pure unemployment.

Senator BUMPERS. That is a blow for liberty, too.

Secretary DOLE. Yes; I agree.

PRIVATE PENSION PLANS

Senator BUMPERS. Now, one other thing is a real problem for me, and this is really my primary concern so far as the Labor Department is concerned. It is the private pension program.

That is one of the things I did during the Christmas recess, to spend some time looking at that whole problem.

No. 1, I don't like to see people in leveraged buy-outs or in takeovers be able to raid those pension funds. A lot of these pension funds are in good shape, have excess amounts in them. But if the stock market drops 500 points some day, the situation changes.

I'm not a sponsor of Metzenbaum's bill yet. I may cosponsor it or I may introduce my own bill because I think that it is an impending, big problem in the country.

Just in the past few years, assets in private pension funds have risen from $500 billion to $1.7 trillion in this country.

Obviously, if any significant number of them failed, the Pension Benefit Guaranty Corporation would not even begin to have enough money to pick up the tab. This troubles me.

I know that Mr. Maria is a fairly controversial figure. Is he going to testify this morning?

Secretary DOLE. Yes; he is.

Senator BUMPERS. I looked over the testimony that he gave in the House.

Some of the points he raised are troubling, regardless of how anybody feels about him personally.

We have had a tremendous increase in pension funds and enrollees, and this year, for the first time—and I applaud you for this—you are asking for additional personnel.

Secretary DOLE. Right.

ADDITIONAL ENFORCEMENT PERSONNEL

Senator BUMPERS. Mr. Maria says that unless you change the game plan, there is no point in hiring new players. That the real problem is that the procedures and the limitations placed on the auditors are such that it does not make any difference how many people you hire. Unless you change the ground rules on what they are allowed to do, it won't help anything.

What are your comments on that, Madam Secretary?

Secretary DOLE. Let me just review a few things here.

First of all, the private pension system obviously has grown, the number of plans and the amount of assets. Over the 15 years that the Department of Labor has had this responsibility, there has been only a slight increase in the number of enforcement personnel.

Senator **Bumpers**. Madam Secretary, let me interrupt you, and I apologize.

Just for the record, I also want to point out that, during the past decade, the number of plans has grown from 590,000 to 900,000. I just want that to go with the other statistics that I gave a moment ago.

I apologize.

Please proceed.

Secretary **Dole**. Oh, that's fine.

Therefore, I felt strongly that, because of this increase and the importance of this responsibility, we should increase the number of enforcement personnel. We have done that by 133. That is 100 plus 33 in the Solicitor's Office.

Now, in terms of the overall health of the system, it has never been healthier. I say this because right now, or let's say in 1988, 80 percent of the plans were fully funded, whereas in 1974, only 35 percent were fully funded.

Senator **Bumpers**. Would you give me those statistics again, please?

Secretary **Dole**. In 1974, 35 percent were fully funded. In 1988, 80 percent were fully funded.

Then you have changes in the law in 1987 that require a minimal level of funding, that require an increase in the premiums. In fact, PBGC has been able to eliminate some of the deficit, to bring it down to $1 billion in this past year, because investments are up and there is a premium increase and risk of loss is down.

So, overall, we are moving in a positive way here.

Now, what we have done is there have been a number of changes made to try to provide better training. We set up the Office of the Chief Accountant at the Department of Labor. A very key thing that has occurred is automated data processing, so that the form 5500's that ERISA requires, can be utilized immediately by the Department of Labor to determine where there may be difficulties.

I am going to share with you a chart in just a minute that I think is helpful in terms of how we are going about our responsibilities.

INSPECTOR GENERAL'S RECOMMENDATIONS

But let me just say that I have always been a strong supporter of the role of inspector general, both at the Department of Transportation and the Department of Labor. I think it is a very important function.

The inspector general has made recommendations, some of which we have already adopted, and three of which I am specifically looking at now, and will be making announcements on sometime in the near future. One is to eliminate the limited scope audit exception. That's one. Another is to have peer review.

Senator **Bumpers**. Did you say you are adopting those recommendations?

Secretary **Dole**. I'm looking at them. I have not made the decision yet.

These are three recommendations that I am looking at very closely that the inspector general has suggested.

Senator **Bumpers**. I think that is a very good recommendation, Madam Secretary. I encourage you to adopt them.

Secretary **Dole**. That is one.

Another is peer review. There would be peer review; and, in terms of performance, that would be very effective, I would think.

Another is for the accountant who is doing the financial audit to also determine whether plan administrators are complying with their fiduciary responsibilities under ERISA, and, if not, to let the Department of Labor know where there are inadequacies.

Now, those three are very interesting recommendations that are being reviewed right now at the Department. And we should have some information for you soon on those three.

So, we have already adopted some, and we are looking at others. The automated data processing is very important.

Tom, if you would, just take those two sheets up. I think it might be helpful to look at this for just a minute.

Senator, you mentioned the 900,000 plans. By the computer targeting, we can look at those 900,000 plans covering 70 million people, and where those annual reports indicate that there are deficiencies in a plan's annual report, then, through our automated correspondence, we can immediately inform those plans of where the deficiencies are.

We estimate that we can cover 360,000 plans through that system.

Then, 78,000 plans covering 5 million people we review from other sources, other than the automated plan.

In 1989, for example, 525 investigations that covered providers, like Aetna or other firms, took place. This covered 5 million people. Then we manually target 28,000 plans covering 3 million people. This is done by our 10 regions through desk audits.

We have 1,600 investigations. This would go up by 1,000 with the increased staffing that I have asked you for to help with this.

As I say, I respect very much what the inspector general is doing. But there is something that needs to be explained about this chart [indicating]. It appears that in 1978, there were 8,598 investigations, and it went down in 1988 to 1,632. Those are apples and oranges, literally.

The 8,598 that you see are desk audits—desk audits. Those desk audits, their equivalent today is 28,000. In other words, the 8,598 today is 28,000 desk audits. This is done by our regional people.

Senator **Bumpers**. You are saying that 28,000 would be comparable to the 8,598?

Secretary **Dole**. That's right. Exactly. That is what you see on that bull's-eye, where you see 28,000 plans covering 3 million people by manual targeting. Those are desk audits.

Those desk audits, then, should be 28,000. The 1,632 on the chart is full targeting. In other words, we would have now another 1,000 added to that, and that is the 1,600 investigations you see in the middle. So this is inaccurate.

DESK AUDITS

Senator **BUMPERS**. What is a desk audit? Is that just going over their annual report in your office? Is that what it amounts to?

Secretary **DOLE**. Did you want to answer that, Tom?

Mr. **KOMAREK**. It is going over the form 5500, which describes what's happened in the pension plan during a given year, going over any information we might have.

You use that desk audit as a tool to determine whether or not you want to go out and actually do field audits. So it is just a first look at all the information we have.

Secretary **DOLE**. But this is inaccurate [indicating]. You see, it did not drop like that. The desk audits are a totally different category, and that should be 28,000. With the number that I hope you will give me, the extra 100, we will increase the 1,600 to 2,600.

Senator **BUMPERS**. Well, I certainly will do everything I can to make sure that you will get them, Madam Secretary.

Secretary **DOLE**. Thank you.

Senator **BUMPERS**. Mr. Chairman, may I ask your indulgence here for just a couple of more minutes. I know I'm taking more time.

Senator **HARKIN**. Go right ahead. I have to step out for a second. That will give you a few more minutes.

Senator **BUMPERS**. That's fine, just take all the time you want. [Laughter.]

LIMITED SCOPE AUDITS

Senator **BUMPERS** [presiding]. I would like to know more about these limited scope audits. Why would auditors be prevented from looking at funds which are invested in government guaranteed funds in the first place?

Secretary **DOLE**. As I understand it, it is where they are covered by Federal regulation already by another institution. Then it was exempted from our review.

But, I think there are reasons to change that. But I don't want to make any announcements today.

Senator **BUMPERS**. I strongly urge you to adopt this change.

I am most reluctant to bring up such a subject, but I could not help but think about the junk bonds, for example, of Lincoln National. There are probably some pension funds invested in those bonds.

Under the existing rule, if I understand this, the auditors would not have been allowed to look at pension investments in that institution.

Is that correct?

Secretary **DOLE**. That's right.

Senator **BUMPERS**. That seems bizarre. If you don't adopt this proposal in toto, you certainly ought to think about that recommendation as you review your options.

Secretary **DOLE**. We will, certainly by March 15 and possibly before, be back to you on that.

Senator **BUMPERS**. Let me ask you one other thing, Madam Secretary.

As chairman of the Small Business Committee, I am extremely sensitive to the difficulties that a lot of small firms have in maintaining these plans. As you know, a lot of companies are just abandoning them. I don't want to enact legislation that will cause people to terminate their plans.

But, by the same token, I want to be sure that employees are protected to the fullest extent possible. So, it is a very delicate balancing act that we must perform.

Secretary **Dole**. Yes, it is. That's right.

Senator **Bumpers** [continuing]. And I applaud you for your ideas.

Secretary **Dole**. I think this is a constant balance that has to be looked at and the ways that you can help small business, particular ways. And 48 percent of our employees do not have pension plans now.

Obviously we want a climate that is conducive to offering that plan in the first place, as we also try to make changes that are going to make them more effective.

This is one of the difficulties, frankly, in looking at portability of plans as well. You know, with workers having two, three, or four jobs in their lifetimes, that is what the demographics are projecting, we need to be thinking how to make them more portable. But it is a very, very difficult issue because of this balance, exactly what you are saying.

Senator **Bumpers**. The business community is very apprehensive about what Senator Metzenbaum's bill or even mine might do, if I were to choose to come up with a different one.

How do you feel about requiring these pension funds to carry some kind of reserve in addition to the requirement that they are actuarially sound? As I said, if you have a bunch of junk bonds in your portfolio and those junk bonds go sour all of a sudden, the plan is not actuarially sound. That's No. 1.

PENSION PLAN INVESTMENTS

Secretary **Dole**. Right now, I believe that the statistics indicate that only about 2 percent of pension plan assets are invested in that kind of thing. In other words, our regulations don't get into saying what you ought to invest in or what not. But there has to be diversification, and we go by the prudent man test.

So, I believe it is right now about 2 percent that is invested in that way. So it is not a large amount.

Senator **Bumpers**. Just as an interesting aside, a lot of people do not realize that the Social Security Administration is limited in its investments to government securities—to debentures, bonds, and treasuries.

Secretary **Dole**. That's right.

Senator **Bumpers**. We can't play the stock market or buy junk bonds with Social Security funds. A lot of people say let's set it up and treat it like a private pension fund. You're going to have to change the generic law that set Social Security up before you can do that.

But I don't want to get into that debate here.

Secretary **Dole**. No; let's not. [Laughter.]

EXCESS FUNDS IN PENSION PLANS

Senator **Bumpers**. I am always offended when some raider comes along, or there is a leveraged buyout of a company with an overfunded pension plan. Oftentimes, you find $50 to $100 million in excess funds in one of the big pension plans. And right now, there is nothing to prohibit a corporate raider from capturing the excess funds. For example, a well managed, a conservatively managed company, might have $100 million in excess funds in its pension plan. That company might normally be worth $500 million. Somebody will likely make a bid for it to recapture the excess pension funds.

Of course, I would like to stop the use of those excess funds to help pay for a takeover. But I can tell you that that is a very difficult thing to craft, too.

The business community hates that idea.

But why would it not be prudent to require those plans, before any excess can be tapped, to reach, say, 115 percent or 120 percent of the magic figure?

Secretary **Dole**. Would you permit me to answer that in a thoughtful way in writing?

Senator **Bumpers**. I certainly will. As a matter of fact, I would probably prefer that.

Secretary **Dole**. Good.

[The information follows:]

Pension Plans

It is the administration's view that, given the voluntary nature of the pension system, and the fact that employers bear the risk of plan asset investment performance, they should be entitled to recapture any excess assets once a terminated plan's liabilities have been met.

Under ERISA, what the plan sponsor does with the excess assets once they are recovered is not subject to ERISA's fiduciary rules. In short, the law does not ask what the employer intends to do with the money after the plan is terminated.

You've asked whether this general rule should be modified when corporate raiders seek to use excess pension assets to finance successful hostile takeovers. In response to your question regarding this issue, I have included the relevant portion of prior testimony by the Department of Labor on April 27, 1989 which discusses in detail the Department's views concerning the use of pension plan reversions by corporations after takeovers. Subsequent to that 1989 testimony, the Department has continued to monitor the issue. To date, however, we have seen no evidence that would warrant a change in current law.

"In light of the voluntary nature of the private pension system governed by ERISA, the Department has concluded that there is a class of discretionary activities which relate to the formation, rather than the management, of plans. These so-called 'settlor' functions include decisions relating to the establishment, termination and design of plans and are not fiduciary activities subject to Title I of ERISA.

"When a plan sponsor decides to terminate an over funded pension plan in order to recapture any residual assets held in the pension trust, title IV of ERISA imposes certain requirements. In addition, certain decisions relating to the implementation of the plan termination involve the exercise of fiduciary responsibility (e.g., the purchase of annuities; the proper implementation of plan provisions relating to a reversion). However, once these requirements have been met, the employer's proposed use of the excess assets of the plan which it recovers is not subject to review under ERISA.

"You have asked whether, if it is determined that leveraged buyouts lead to an unacceptably high level of defined benefit pension plan terminations, additional restrictions should be placed on leveraged buyout transactions or the use of assets in pension plans. We feel it is important to determine the degree of correlation between leveraged buyouts and takeovers and plan terminations before determining what, if any, additional actions by be appropriate. In this regard, current available data do not indicate that the availability of excess assets in a target's pension plan, in and of itself, drives takeovers or leveraged buyouts. We understand that the Pension Benefits Guaranty Corporation (PBGC) will testify concerning the effect on plan stability in leveraged buyout situations and will note the preliminary results of the study they have conducted on the correlation between assets reversions and leveraged buyouts. Additional data needs to be gathered and analyzed regarding the relationship between reversion and overall merger and acquisition activity. PWBA will be looking at this broader issue in the coming months.

"In this regard, it should also be noted that some companies have voluntarily imposed restrictions on the use of residual plan assets in certain takeover situations. For example, some employers have amended their plans to restrict or prohibit reversions subsequent to a takeover or LBO. Plan sponsors who are considering amending their plans to impose such restrictions should be fully aware of the implications of such actions. To the extent such actions create promises of benefits under their plans, they may be called upon to make good on such promises. The Department is currently litigating one such case, in *Dole* v. *Graniteville*.

"It should also be noted that recent changes in the law may have affected activities in this area. For example, the Tax Reform Act of 1986 imposed a 10 percent excise tax (subsequently raised to 15 percent in 1988) on reversion amounts. This represented a partial recapture of tax benefits attributable to an employer's using tax-favored pension contributions for some purpose other than the provision of retirement income. Also, the Omnibus Budget Reconciliation Act (OBRA 1987) addressed perceived abuses in this area by: requiring a 5-year delayed effective date for pension plan amendments authorizing a reversion where the plan document did not previously provide for a reversion to the employer; revising the rules for calculating benefit amounts at termination and the rate of return attributed to participant contributions; and imposing new requirements on the reasonableness of plans' actuarial assumptions.

"The Department believes that the likely effect of the selfimposed corporate restrictions in this area, as well as the taxes and rules on reversions that have recent been legislated, will be a further decline of reversion activity."

(Note: The PWBA is currently working on a study on the possible relationship between reversion and overall merge and acquisition activity.)

FAILED PENSION PLANS

Senator **Bumpers**. One other thing.

Since ERISA was passed and PBGC was set up, how much have we paid out for failed pension plans? Do you know that?

Secretary **Dole**. I don't know. But I will be happy to provide that.

Senator **Bumpers**. OK. Thank you.

[The information follows:]

Failed Systems

Since ERISA was passed and the Guaranty Fund was set up, how much have we paid out for failed systems? Do you know that?

Excluding the LTV plans that are currently in litigation, the PBGC has incurred $2 billion in liability on a present value basis and has paid out $1.1 billion in benefits.

Senator **Bumpers**. Well, Madam Secretary, I believe that just about takes care of the questions I had. I may submit a couple of additional questions.

If you will wait just a couple of days before you answer that question, I may submit a couple of other questions on this point.

Secretary **Dole**. Fine.

I will be in touch with you as we go forward with our plans, because, knowing of your strong interest in it, I would really appreciate the opportunity to talk to you about some of the things we are considering doing.

Senator **Bumpers**. Now let me also add my accolades of those of the other committee members. I think you are doing an outstanding job in this department. I still think when you die your legacy will be Union Station. It will be with me.

Secretary **Dole**. Bless you and thank you very much. [Laughter.] Just keep buying, OK? Those shops have to survive.

Senator **Bumpers**. Yes; I know. I have a daughter in Georgetown Law School, so I'm not in the mood to buy much of anything. [Laughter.]

Secretary **Dole**. And I hope we are going to get those airports squared away here pretty soon. I am glad to see the construction going forward on National and Dulles. That is going to take a little longer.

Senator **Bumpers**. I have a feeling that airport project is going to be like the Pennsylvania Avenue project. Do you remember Howard Baker's famous words: "Somebody forgot to issue a stop work order?"

Secretary **Dole**. Yes, right. Exactly. [Laughter.]

Senator **Bumpers**. Thank you, Mr. Chairman.

ASSISTANCE TO THE DISABLED

Senator **Harkin** [presiding]. Thank you, Senator Bumpers.

Madam Secretary, I just have one other issue that I want to cover before you leave. It has to do with employing the disabled.

Secretary **Dole**. Oh, yes.

Senator **Harkin**. According to a recent Lou Harris poll, two-thirds of all disabled Americans between the ages of 16 and 64 are not working, and yet 66 percent of them say they would like to have a job. This translates into more than 8 million persons with disabilities who cannot find a job.

Now, again, the imminent passage of the Americans With Disabilities Act makes it even more urgent to focus on overcoming employment discrimination faced by the disabled. Again, I would like to know what you are doing to make sure that people with disabilities are fully utilized in the work force.

Is your Department identifying the major barriers to employment faced by disabled persons? What are you doing to lay the groundwork for really aggressively addressing this problem that exists in our society in light of the imminent passage of the Americans With Disabilities Act?

Secretary **Dole**. First of all, let me just say, in mentioning the Americans With Disabilities Act, I certainly am supportive. It is now before Congress, and it will extend the prohibitions against discrimination in employment to private employers.

Certainly we will be very much concerned about that aspect as we move forward with plans to ban discrimination and provide affirmative action plans. Obviously this is one important area, and we are aggressively moving in that area.

The JTPA amendments target service to those with additional barriers, as we were talking earlier, and people with disabilities would be one of those identified barriers.

The Job Corps deserves special focus in this area because we have three centers now that are set up to serve those with severe disabilities and those are wheelchair dependent, legally blind, or legally deaf. Those are in Gainesville, FL; Little Rock, AR; and Sacramento, CA.

Then we have seven centers that are set up for those with less severe problems, such as vision or hearing impairments, but they are not legally blind or deaf. Then, in addition—and this I particularly want to focus on—we will soon be opening a new center in Connecticut, where we will devote 50 percent of the slots to people with disabilities. Certainly working with Justin Dart and the President's Committee, we are looking for ways that we can increase our involvement and do even more.

In fact, I will soon be bringing onto my personal staff someone with a disability, who will be doing a whole range of functions, but who also will be particularly sensitive to the needs of individuals in this area. So I will have that person right at my elbow to make suggestions on other things that we can be doing.

I think, as we move away from manually oriented work to jobs requiring higher and higher levels of mental acuity, the physical disabilities which have held this particular population back in the past will become less and less relevant. This is a positive thing that is happening, as we are seeing the jobs not just of the future but of the present requiring higher skills levels. I think that will work in their best interest.

Senator HARKIN. I have another question, Madam Secretary.

Secretary DOLE. I'm sorry. Bob has just reminded me that we also have contracts with seven national organizations as well.

You might want to elaborate on that, Bob.

Mr. JONES. We fund several of the national organizations for the disabled for both training and employment service programs—including programs with the Epilepsy Foundation and the Retarded Citizens group. We also have them join us in a council to examine policies and programs around the rest of the training system, and what we might do to begin to expand services to those groups of people.

So it is not just funding programs of about $4 million a year. But, in fact, we have invited them to join the whole policy dialog, which they have done quite positively.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. Thank you. I applaud that.

Madam Secretary, we have some questions which we will be submitting for the record.

Secretary DOLE. Very good.

Senator HARKIN. Thank you very much.

Secretary DOLE. Thank you so much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BENEFITS OF THE JOB TRAINING PARTNERSHIP ACT

Question. The Labor Department's Inspector General summarized the benefits of the Job Training Partnership Act with this statement: "At this juncture, after 7 years of JTPA and $18.5 billion in program expenditures, no one knows whether the return on investment has been productive or whether established program standards have been effective." Do you agree with this assessment?

Answer. In 1985, the Department began work on a major national study of JTPA to determine the program's net impact on employment, earnings, and welfare dependency. The study employs random assignment to participant and non-participant groups in 15 of our Service Delivery Areas nationwide. Contracts to complete design of the study were awarded in June 1986. Enrollment of participants began in the fall of 1987 and was completed in the fall of 1989. Follow-up data collection on participants will continue for two and one-half years following enrollment. We expect to receive the first analytical report on net impact in 1991.

Over the past seven years, JTPA has placed more adults at higher wage jobs and at lower costs per placements than employment and training programs prior to JTPA. The Department of Labor (DOL) has made every effort to make JTPA consistent with its legislative intent and as effective as possible. During this period JTPA has been closely monitored by DOL, audited by States and DOL, and evaluated by GAO and OIG. It was also the subject of a national process review during the past year. These various oversight activities have shown that, for the most part, JTPA has been using funds appropriately to provide job training programs for economically disadvantaged individuals. At the same time, there is evidence that legislative fine-tuning, particularly in the areas of targeting and the implementation of systems to adequately determine and address skills deficits of participants, could increase JTPA's effectiveness and consequently its return on investment.

Regarding performance standards, since the inception of JTPA they have served more as a mechanism for program management than a means of evaluating program impacts. They have also been evolutionary, consistent with increased program experience and changing policy emphases. Beginning in Program Year (PY) 1988, for example, post program adult outcomes dealing with longer-term employability and earnings and youth outcomes acknowledging the importance of skills acquisition and educational credentials were made key elements of the performance standards system. In addition, data collection on service to such "at-risk" groups as long-term AFDC recipients and individuals with reading skills below 7th grade began in PY 1988. This was consistent with a DOL policy goal of focusing JTPA resources on and providing quality services to the neediest population. The same direction is being taken with PY 1990 standards, which will put an even greater emphasis on post program results for adults and the acquisition of educational credentials for youth.

JOB TRAINING PARTNERSHIP ACT

Question. The Administration and the Congress are debating whether to broaden the list of performance indicators used for measuring the success of JTPA programs. How can performance indicators be utilized to focus on the hardest to serve unemployed population, without wasting resources on people that may never be employable?

Answer. The performance standards system can be an important tool in driving the JTPA program to serve a more at-risk population by recognizing their special needs, placing a greater emphasis on skills development and quality/intensive services, and generally focusing on outcomes which contribute to long-term employability and increased earnings. This is accomplished in two ways: establishing performance measures which foster service to this population and which approximate service quality and intensity; and offering programs the opportunity to adjust performance standards to account for serving the most difficult participants.

Performance standards proposed for Program Years (PY) 1990-91 emphasize post program outcomes (employment and earnings 13 weeks after termination) for adults and adult welfare recipients, and recognize the intrinsic value of skills development and credentials acquisition (youth employability enhancements) for youth. The underlying assumptions here are that post program standards provide a greater incentive than outcomes measured at termination for providing quality services and training to a less employable population. Deficits of the youth population are such that skills development, high school completion, and dropout prevention need to be acknowledged as legitimate program outcomes for some youth. Further, experience has shown that the use of cost standards for incentives has had the unintended effect of constraining the provision of longer term training and service to hard-to-serve participants in many service delivery areas (SDAs). Consequently, to remove this disincentive, cost standards have not been included among the national performance standards proposed for issuance for PY 1990-91.

The Department of Labor provides Governors with an adjustment approach to vary performance standards based on many client characteristics that typify difficult to serve groups. For example, beginning in Program Year 1990, standards will be adjusted based on service to long-term AFDC recipients and individuals with reading skills below the 7th grade. Factors proposed for future adjustments include service to homeless individuals, to those who lack a significant work history, and to individuals experiencing multiple barriers to employment. Other factors for which adjustments are made that represent the hard-to-serve population include dropouts, long-term unemployed, and handicapped.

Performance standards play a direct role in providing incentives to programs to utilize their resources for participants who are most likely to benefit from them. Intake procedures used by SDAs determine the abilities of individuals who apply for enrollment and make judgments with regard to capacity to benefit from the program. The proper implementation of these procedures is an appropriate subject for State monitoring and oversight.

Question. By adding performance measures such as increased educational attainment, are you concerned that we may be diverting the JTPA too far from its main purpose of placing people in jobs?

Answer. The importance of educational attainment to eventual employment success by the JTPA-eligible population is supported by Thomas J. Smith, Mary Moorhouse and Carolyn Trist in their 1988 report, Strategies, Programs and Resources for Youth Employability Development: A Practitioner's Guide, and is specifically recognized in the statute for youth programs. Programs have been encouraged to enhance the educational attainment of their youthful participants and in fact have received credit for this "positive" outcome since the inception of JTPA. Steps have been taken to put even greater emphasis on it beginning in Program Year 1990. For adults, the focus has always been on placement and retention. Experience has shown that this has served as a disincentive to enroll adults with serious skills deficits, since programs currently receive no credit for accomplishing something short of job placement. Permitting an acknowledged measure of educational attainment, such as a GED, to be credited as a valued outcome for adults, along with job placement, would eliminate this disincentive and also respond to workplace needs resulting from technological advances.

LACK OF TARGETING IN JOB TRAINING

Question. Funding for the Job Training Partnership Act is only sufficient to serve 5 percent of the eligible population, so it is especially important that the program be targeted to serve those with the most serious skills' deficiencies. Yet a GAO report issued in January 1990 shows there is little targeting of services on the less job ready population; and one-third of the training is provided for such lower skill occupations as custodians and food service workers. What needs to be done to shift the focus of job training activities to better serve those in greatest need?

Answer. A major focus of the Administration's proposed JTPA amendments is to better target resources on those who are most at risk. This would be accomplished in several ways.

First, eligibility requirements are tightened so that in addition to being economically disadvantaged, half of all adults and all of JTPA youth participants must meet at least one additional specific criterion which involves a barrier to employment such as inadequate basic skills, a poor school record, or a lack of work experience.

Second, separate youth and adult programs would be created, with program designs tailored to the individuals being served.

Third, more intensive services are emphasized. Each participant will be assessed and, based on the assessment, basic skills and occupational training will be provided, tailored to the participant's needs.

Fourth, the bill establishes a major new youth program, Youth Opportunities Unlimited (YOU), authorizing up to 25 programs in inner city neighborhoods and rural poverty areas. The program would build local area capacity to address the needs of all youth residing in these high poverty areas.

Fifth, the funding formula would be changed to move funds into areas with higher numbers of economically disadvantaged, shifting resources to cities and rural areas with large concentrations of low-income individuals. There would be separate youth and adult program formulas to target the funds to these groups.

Question. Does it make sense to spend one-third of job training funds on lower skill occupations?

Answer. Although we will be focusing on a more at-risk population, we will endeavor to reduce the number of enrollees in lower skill occupations. This will be facilitated by the move to more intensive and tailored services, and higher quality training, under the amendments.

Question. Shouldn't we concentrate on higher skill jobs where workforce projections indicate we will have severe labor shortages?

Answer. It is of highest importance that enrollees, particularly youth, have solid basic skills so that, once placed, they can move up the career ladder into the higher skill jobs. In addition to providing basic skills training, we must train individuals for jobs which, while they may be entry level, have career potential.

TARGETING JOB TRAINING SERVICES

Question. Congress has not yet acted on your legislative proposals to improve targeting of job training funds on economically disadvantaged youths and adults. What administrative actions can you take to improve the quality of services provided to individuals most at risk of failure in the labor market?

Answer. The JTPA statute provides the framework for decisions on how groups may be targeted for services. Essentially, the statute provides that such decisions are made at the State and local level in connection with the development and approval of the local job training plan.

Notwithstanding the above, there are steps which the Department can take and has taken to try to ensure that quality services are provided to those most at risk of failure in the labor market. First, in anticipation of the JTPA amendments, we have proposed changes in the performance standards for PY 1990-

1991 that place a greater emphasis upon job retention and increases in earnings than relatively short-term outcomes such as costs and entered employment. Second, in our planning guidance to the States for the same PY 1990-1991 period, we have recommended that programs be designed to serve the more at-risk among the disadvantaged, that programs include effective basic and remedial education and that programs should include effective assessment components to better determine participant needs.

TECHNICAL ASSISTANCE TO EMPLOYMENT AND TRAINING PROGRAMS

Question. Fiscal constraints brought on by concern for the deficit require that all programs be managed better so that the taxpayer gets the most out of every dollar spent. This means that managers need to be more concerned than ever about program oversight and quality. What is the Department of Labor's overall philosophy and approach to oversight and monitoring of the Job Training Partnership Act, the Employment Service, and other employment and training programs?

Answer. The Department has recently revised its approach to oversight and monitoring of the Job Training Partnership Act programs that builds upon our overall oversight effort. As part of the process which oversees the compliance of the job training system with the basic JTPA statutory requirements, we are initiating a series of core compliance reviews of the States that will examine the areas of procurement, financial management, monitoring, the summer program and the newly implemented Title III (EDWAA) program. These reviews will focus to a greater extent on local compliance as well as the validation of State systems including the monitoring of local programs. In addition, the Inspector General will be consulted in establishing a process to identify aspects of program management and operation which are of concern to the JTPA system. This process will be used to initiate program-oriented monitoring to determine system practices in the identified areas and to formulate DOL policy where the need is indicated. The Department is reviewing the application of this same approach to programs and activities under the Employment Service.

Question. What is the Department doing to identify the better local and state employment and training programs and to provide technical assistance to local program managers that would enable them to follow practices known to produce high quality programs and results.

Answer. The basic approach the Department has taken to provide for technical assistance and other information exchange regarding the best program practices has been to utilize major public interest associations which represent the significant elements of the job training system to provide such information through publications and conferences. These groups include the National Governors Association, the National Association of Counties, the Conference of Mayors, the National Association of Private Industry Councils and the National Association of State Legislatures. The Department anticipates that the oversight process noted above will also contribute to the identification of practices that contribute to quality programs and results. This information will be shared by Regional Office staff in the course of ongoing contacts and in the series of regional roundtable meetings that we are initiating to exchange information and views.

In the specific area of EDWAA implementation, the Department has undertaken extensive monitoring of the State and local implementation efforts to ensure that statutory and program requirements are met. In addition to basic training on the legislation and regulations that was conducted early last year, the Department also conducted a series of training sessions on the important elements of rapid response. Finally, the Department has engaged a contractor to develop case studies on a series of "best practices" in the areas of assessment, early intervention and training. These cases will be shared with the job training system.

Question. What is the Department's overall plan for improving the quality of programs, either by increased technical assistance or by more intensive oversight and monitoring to identify and remedy weak programs and to identify and replicate strong programs?

Answer. Generally, the Department intends to continue the kinds of activities noted above, a combination of oversight and monitoring coupled with technical assistance and training activities, to both identify and remedy weak programs and to identify and replicate strong programs.

ON-THE-JOB TRAINING CONTRACTS

Question. Last year, GAO reported that a significant amount of low skill on-the-job training (OJT) was for excessive periods of time. Now the administration's proposed legislative amendments would limit OJT to a maximum of 6 months. I have two concerns in this regard. What's to prevent this maximum length of 6 months from becoming the average length of OJT contracts, even for those occupations normally requiring far less training time?

Answer. For the most recently completed Program Year 1988, information from the Job Training Quarterly Survey indicated that the median duration of OJT under Title II-A was about 13 weeks - considerably less than 6 months. Further, language in the Department's bill and in S-543 as reported indicate that the length of OJT is to be based upon a variety of factors including recognized reference materials, the content of training and the participant's service strategy. In implementing the amendments, the Department would provide further regulatory guidance on the criteria for determining the length of OJT including the complexity of the training requirements for the occupation. Further, the Department would monitor the implementation of this new requirement.

Question. How will the 6-month limit affect training provided to participants who are slow learners or have mental handicaps and may require additional time in OJT?

Answer. We believe that the maximum 6-month duration will be sufficient for participants who are slow learners or have mental handicaps. First, for many such persons, entry into OJT may be preceded by basic or remedial instruction and other classroom training, which is not included in the 6-month computation. Second, many such persons may be in jobs requiring relatively lower skills and, while they may require longer than average training for such jobs, the duration of training would still be less than 6 months.

Question. What administrative action are you taking to make sure on-the-job training arrangements are not subject to abuse? Specifically, how can you assure that OJT payments to employers accurately reflect the training costs incurred by that employer?

Answer. Section 141(g) of JTPA establishes that OJT payments to employers are to be deemed to be for the extraordinary costs of training participants. This section establishes that such payments shall not average more than 50 percent of the wages paid by the employer to such participants. These statutory prescriptions reflect experience and policy for such training that has been in force for about 20 years. The Department has found that the 50 percent reimbursement schedule based upon wages paid by the employer to participants is basically the norm under JTPA. The provisions regarding OJT payments to employers are subject to program monitoring and audit and the Department has not found them subject to extensive abuse. However, we will be doing in depth oversight reviews to assess State procedures and practices for reviewing the reasonableness of OJT contracts in terms of duration and cost.

OMB LIST OF "HIGH RISK" PROGRAMS

Question. Specifically, what plans do you have to increase auditing of local job training programs, in view of the fact that 40 percent of Service Delivery Areas have not had an audit report issued since the start of the Job Training Partnership Act in 1983?

Answer. Audit coverage of the JTPA program is, for the most part, achieved through State and local government procured audits in accordance with the Single Audit Act (SAA). ETA annually reviews State and SDA compliance with SAA requirements as part of the JTPA compliance review process. In the Program Year (PY) 1986 compliance reviews it was noted that 14 of the 42 State JTPA administrative entities reviewed and approximately 40 percent of the SDAs had no audit report issued since the inception of the JTPA program in 1983. Review reports issued to the States emphasized the seriousness of these findings and the importance of complying with the SAA. These findings were also included in the Department's 1987 Federal Manager's Financial Integrity Act (FMFIA) report as a significant weakness.

Audit/audit resolution compliance reviews were conducted in one-half of the States in PY 1987 and in the remainder of the States in PY 1988. Those reviews found that all States have now been audited at least once, and in most cases, several times since the inception of JTPA. Those reviews also found that State level audits under the SAA are now, for the most part, occurring timely.

With respect to audit requirements being met at the SDA level, the PY 1988 reviews of the audit coverage of 402 SDAs/subrecipients found that all had at least one audit report issued since the inception of JTPA. However, the timeliness of audit coverage and resolution of SDA/subrecipient audits continues to be a problem. The PY 1988 reviews covering 705 individual audit reports found that only 442 (63%) were issued timely. Furthermore, of the 365 reports which contained findings and should have been resolved, only 52 (15%) were resolved within 180 days as required by the SAA. The adequacy of audit resolution also continues to be a problem. The PY 1988 reviews found inadequacies in the documentation used to support resolutions/determinations issued by 6 of the 27 States reviewed.

In summary, although problems remain, they are no longer of the magnitude initially identified in PY 1986. ETA plans to conduct audit/audit resolution compliance reviews in all States in PY 1989. We anticipate that additional improvements will be reflected in these reviews. Individual review reports issued to each State will continue to provide recommendations and suggestions for improvements in the audit/audit resolution process.

Finally, the Office of Inspector General from time-to-time conducts audits of JTPA program administration in selected States and SDAs. The OIG is also conducting a review of the adequacy of SAA coverage of JTPA program funds.

THE SKILLS GAPS

Question. Madame Secretary, our workplace is currently undergoing major changes. Jobs are demanding increasingly higher levels of education and training, while our workforce is lagging far behind in obtaining the skills necessary to survive in the labor market. What evidence is there that employers are already having trouble finding qualified workers? Could you give us some of the broad facts and examples of problems being experienced by individual firms?

Answer. Labor markets in some parts of the country and for some industries have become rather tight. Under these circumstances, it is not unusual for us to hear concerns expressed about the adequacy of the supply of workers to meet employer needs.

Let me cite just a few examples which typify the situation employers have been encountering.

- o Chemical Bank in New York gives prospective tellers a basic math test; the percentage of applicants passing the test is barely more than half of the applicants.
- o Bell South Corporation of Atlanta reports that fewer than 30 percent of the people applying for jobs meet skill and ability requirements for sales, service, and technical jobs. Only 15 percent were scored proficient in typing. Fewer than one in ten applicants met all qualifications.

- Campbell-Mithum Advertising in Minneapolis finds the applicant pool is generally below their minimum standards in reading and writing. The ratio of applicants to those qualifying is 20 to 1 for secretaries and 10 to 1 for supply and mail clerks.

Question. Tell us about your seven-part plan to improve the nation's ability to provide workers with the skills industry needs. Specifically, I would like to know the actions you are taking, how they are being coordinated with the Department of Education and other agencies, how much they will cost, and when they will be completed.

Answer. The serious problem of the skills gap which confronts our Nation has three key components:

- Inadequate basic skill levels in the work force;

- Lack of a structured transition from school to work; and

- Inadequate occupational skills among employed workers.

I have undertaken a work force quality initiative to attack these central problems. Let me note several of the principal elements in that agenda which focus on these three issues:

o Inadequate basic skills. I am appointing a blue ribbon Commission on Achieving Necessary Skills to provide recommended national guidelines within the next two years for the basic skills required for entry into employment. It is our expectation that these guidelines will help the Nation's schools to formulate specific basic skills standards addressed to the new, rigorous requirements of the workplace.

o Lack of transition from school to work. Closely related to our efforts to upgrade basic skills to meet the demands of the labor market is the need to explore--for the first time in this country--a structured transition from school-to-work for non-college bound youth. I will host a national School-to-Work Transition conference this spring to discuss this issue. We will also launch a series of school to work demonstrations beginning this year in which employers would participate through a partnership with education.

- Inadequate occupational skills. We will promote the expansion of training in the workplace by establishing a National Advisory Board on Workplace Training to help the Department build a voluntary system for accrediting workbased training programs and for providing portable credentials to workers who complete such training. We expect to see preliminary results of the Board's work by mid-1991. We will also be conducting research on alternative financial incentives to motivate business and workers to invest in training.

Let me emphasize that this agenda and the skills gap generally cannot be addressed by the Department of Labor alone. This is why, early in my administration, I met with Secretaries

Cavazos and Sullivan and formed an interagency working arrangement to address the Nations's human resource policy challenges. In response to your question about funding, I would stress that the resources to respond to the problem of the skills gap are already in place. This problem must be solved by the States, communities and businesses across the Nation. They have the resources but must restructure their priorities in light of the urgent demands of the workplace. For the agenda I have outlined, our initial financial commitments are 12 to 15 million dollars, most of which will come from JTPA national program funds.

QUALITY OF FUTURE WORKFORCE

Question. Recent statistics suggest that contingent workers (temporary, part-time, or contractual) are a rapidly increasing part of the workforce. Because employers typically offer extensive training, retraining, or skill upgrading only to permanent employees, a potential consequence of the increase in contingent workers is an overall lowering of the quality of the workforce. Is the Department of Labor looking at this possible side effect of an increase in contingent workers?

Answer. Whether contingent workers receive less training than full-time workers is not a specific focus of DOL research. Emergence of a contingent workforce is a relatively new phenomenon; research has focused on identifying its members and understanding the causes of growth. At present, DOL is using JTPA National Activities funds to finance two studies of the contingent workforce. One is completed; the other is in progress. In addition, private research efforts and studies by the Bureau of Labor Statistics are addressing this issue.

The completed study by the Jewish Employment and Vocational Service (JEVS) focuses on temporary employment agencies. The study includes discussion of contingent workers who are disabled, uneducated, on welfare and older workers. The author utilizes BLS data and identifies some of the limitations of comparing temps with "their full-time permanent counterparts in other industries in the same area". According to the author, the validity of comparisons is affected by such factors as differences in workers' years of experience, education, training background, the industries in which the job is being done, and the limited and comparatively small sample sizes on which to base observations. The issue of whether contingent workers receive less training than full time workers is not addressed in the report.

The study in progress (Columbia University is the contractor) examines the nature and causes of the growth in contingent employment in selected industries. Analysis will include factors that pertain to the demand for contingent labor, those that give rise to structural changes, and those affecting the supply of such labor including the shifting demographic composition and priorities of employers and workers.

JOB CREATION OUTPACES WORKFORCE GROWTH

Question. Our economy is currently creating jobs faster than the growth of our youth workforce, which is, in fact, shrinking. These trends are expected to intensify in the years ahead.

Theoretically, everyone who wants a job ought to be able to get one. This seems especially true for the young. Yet, we see a hard core of disadvantage youth seemingly cut off from the mainstream, intensifying gang violence and drug abuse throughout our country.

How do you explain this waste of human resource despite the obvious need for more workers?

Answer. Not only is the rate of job creation in our country outpacing the number of young workers available to fill those jobs, the complexity and basic skill requirements of those jobs are also changing at a rapid rate. It is essential that we enable all of our young people to measure up to those higher and more difficult job requirements. My highest priority, as Secretary of Labor, has been and will be to assure that the youth of America--particularly our economically disadvantaged young people--receive the basic workplace skills and workplace readiness they need to make an effective transition from school to employment. That is at the heart of the Workforce Quality Agenda I just outlined in response to a previous question. It is central to the thrust of the JTPA amendments we proposed to Congress. And it is the reason for the education agendas adopted by the Nation's Governors following the Education Summit.

APPRENTICESHIP INITIATIVES

Question. There is a fear that when the current generation of skilled craftsmen retires, we will see a serious deterioration in the quality of workmanship. What is being done to reinvigorate apprenticeship trades?

Answer. The Department has just completed a two-year long study, Apprenticeship 2000. The findings suggest apprenticeship remains a viable system of training because it produces well rounded, productive and flexible workers for occupations that the economy demands. The Department, in its Workforce Quality program, proposes expanding the apprenticeship concept to new industries and occupations.

Workforce projections indicate a continuing need for training in the traditional apprenticeship trades. According to 1989 BLS projections, construction industry employment will grow and both the construction and manufacturing sectors will need to replace workers who retire or leave the labor force for other reasons.

The Department's Apprenticeship 2000 report, Work-Based Learning: Training America's Workers, suggests strengthening the basic apprenticeship system through promotion and by revising the Federal regulations and policies. This should streamline and offer consistency throughout the country.

We are also completing a review of our procedures for determining whether the skills of an occupation can be learned through the apprenticeship method. Last fiscal year we approved 10 new apprenticeable occupations. Some of those occupations were in the service sector (Manager, Retail Store; Investigator, Private; Counselor; Inspector, Motor Vehicle). Thus far in FY 90 we have approved one new occupation of Hazardous-Waste Material Technician.

Question. What is the potential for expanding the concept of skilled apprenticeship in this country?

Answer. As previously indicated, we believe apprenticeship remains a productive and viable method of training. Accordingly, the potential exists for expansion within and outside its traditional boundaries.

The need for skilled workers in construction and certain manufacturing occupations is projected to increase and apprenticeship can play a vital role in meeting this need. Already, many areas of the country report shortages of construction workers, precision and metal workers and mechanics and repairers.

However, outside the traditional apprenticeship crafts, the emphasis upon the comprehensiveness of skill acquisition is not as pronounced. In order to maximize the potential of expanding and retaining the strengths of the traditional system, the Department proposes that the apprenticeship concept of on-the-job training and classroom training be considered to encourage greater investment in worker training. Apprenticeship is a model of industry, labor, government and education working together to further the worker and the workplace. We believe this model has broad applicability for meeting America's needs for a skilled workforce.

Question. How do you plan to use the additional funds added by Congress for apprenticeship demonstration projects?

Answer. We plan to use these funds to explore programs to assist our youth, and primarily to support our initiative for assisting youth in the transition to work. Plans include a National School-to-Work Conference and a series of research and demonstration projects to assist youth in gaining skills that would prepare them for the challenges of the 90's.

In the youth-to-work transition area, models will be developed and implemented in several sites, and a multi-faceted public awareness campaign undertaken in order to build support for basic reforms in the transition of youth into the workforce.

WORKFORCE RETRAINING

Question. As jobs increasingly require greater skills, employers are concerned about the quality of the workforce. Does the Department of Labor see a need for major retraining to equip workers to meet increasing skill needs?

Answer. Yes. Rapid technological change is increasing the complexity of the workplace. For example, one recent study estimates that "the occupational half-life," the span of time it takes for one half of workers' skills to become obsolete, has declined from 7-14 years to 3-5 years [National Research Council, 1986].

The United States is part of an increasing global market. Within this marketplace are countries whose industries are technologically advanced and whose workers are well educated and highly skilled. We believe to remain competitive, the need for retraining of the workforce will be especially important so that we can adapt to new technologies and allow our industries to produce quality products and services that are competitive.

Question. For what types of occupations does the Department think there will be particularly significant need?

Answer. The services-producing sector of employment will account for most of the job growth from 1988 to 2000 according to 1989 BLS projections. The rate of increase in employment is about 9,700,000 jobs. Occupations include child care workers; correctional officers and jailers; cooks, restaurant; medical assistants; and bank tellers to name a few.

The construction industry will grow by some 900,000 new jobs from 1988 and 2000 according to 1989 BLS projections. The rate of increase in employment levels combined with separation rates yields a demand for about 215,000 new carpenters, 25,000 new bricklayers and 72,000 new electricians each year.

Despite declining employment in manufacturing as a whole, there will be a need to replace workers who retire or leave the labor force for other reasons. For example, occupational employment in Precision production, craft, and repair is expected to grow by almost 10 percent in employment from 1988 to 2000 according to 1989 BLS projections. In several parts of the country there are special programs trying to assist the Metal and Precision Industry to replace the shortage of craft workers in the Plastic and Metal Industry.

Question. What are your views on the role government might plan to help meet retraining needs?

Answer. We believe the role of government is limited and may be, most appropriately, to provide national leadership, direction and support to the various industry, labor, government, education and public officials. The Department has announced the establishment of a national work-based training body to recommend policy and provide direction for supporting and assisting in the delivery of work-based training programs. Also, research and demonstration projects are ongoing to develop models for work-based training and plans are underway to conduct research on training incentives to retrain the workforce.

Question. Does the Department have plans for major retraining programs?

Answer. As indicated, the Employment and Training Administration is sponsoring demonstration projects to develop training program models that provide for formal recognition of specialized programs and certification of skill competencies. These models can be used for entry-level occupations in which apprenticeship is not applicable, for upgrading training of workers, and as a career path for workers in lower-skilled jobs. An example of such a project is a program conducted through the Human Resource Development Institute (HRDI) of the AFL-CIO to explore ways to provide structured work-based training for workers to provide flexibility and be able to adapt readily to the rapidly changing needs of the workplace. We also will be establishing a Technical Resource Center to provide information on best training practices within both the public and private sectors.

EARMARK FOR FARM FAMILIES

Question. The Senate report accompanying the fiscal 1990 Labor-HHS appropriations bill earmarks up to $1 million to assist farm families under financial distress. A program operated by the Iowa Comprehensive Human Services of Des Moines was the model for this type of program.

Will you work with organizations such as Iowa Comprehensive Human Services, which could effectively utilize additional funds to expand services?

Answer. The Department plans a competitively awarded dislocated farmer demonstration program that will cover the type of activities mentioned in this recommendation. We expect that our competitive grant solicitation will include provision for applicants to propose projects that include community-based organizations that provide comprehensive services to family-run farms.

DRUGS IN THE WORKPLACE

Question. What plans do you have to strengthen drug and alcohol counseling and treatment for enrollees in the Job Corps and other Job Training Partnership Act programs?

Answer. Currently all enrollees entering the Job Corps are educated on drug abuse and related problems. In addition, a pilot program of testing, treatment, and counseling is offered at 20 centers. Our 1991 budget includes a request of $3.3 million to expand this program to all 105 Job Corps centers.

Regarding other Job Training Partnership programs, many program sponsors are currently providing drug and alcohol counseling to enrollees. The proposed JTPA amendments with their improved targeting and intensive and comprehensive services to enrollee provision, should substantially increase services in this area.

ECONOMIC DEVELOPMENT

Question. The Fiscal 1990 Senate report accompanying the Labor-HHS appropriations bill directed the Labor Department to fund rural economic development programs authorized under the Economic Development and Worker Assistance Act. How much do you plan to spend to implement this legislation in program year 1990?

Answer. We are working in close consultation with the Office of Community Services in HHS to implement a job creation demonstration covering both urban and rural areas and will invite nonprofit community development corporations to apply for funds. We have not yet determined how much will be spent in program year 1990 for this demonstration.

TRAINING FOR DISLOCATED WORKERS

Question. What is the status of implementation of the 1988 Economic Dislocation and Worker Adjustment Assistance Act (EDWAA)? Are all States now fully operating under the new program?

Answer. The EDWAA program was officially inaugurated on July 1, 1989. The program is up and running in all States. Implementation has resulted in a dramatic realignment of the system, through the establishment of State-level rapid response capabilities as well as substate-level planning and service delivery mechanisms. We are tracking State progress during this implementation period and are offering guidance and technical assistance to States whose operations are below expectations.

Question. How soon will data become available on the new dislocated worker program, in terms of characteristics of participants served, types of services provided, and expenditures per client and service?

Answer. Data on participant characteristics will be available annually, similar to Title II and the previous Title III program. State reports containing this data are due in the Department this summer. We will furnish national and State data on participant characteristics to Congress in late fall, once we have time to compile and check the information.

Question. Congress appropriated $470 million for dislocated worker assistance in fiscal 1990, which was a substantial increase over the 1989 level of $284 million. Do you believe the States will have any problem absorbing this increase, or do you expect funds to be spent in a timely manner?

Answer. With the newly mandated substate delivery of services, State rapid response activities, and other program innovations, we believe that States will be able to spend their increased allocations timely and that few or none of the States will have significant balances at the end of the year. In fact spending is being monitored much more closely than in previous years because of the new reallotment requirements in the Act. We would expect that corrective actions will be timely whenever spending difficulties are identified.

DEFENSE CUTS AND DISLOCATED WORKERS

Question. Circumstances in Europe and around the world will undoubtedly result in significant reductions in U.S. defense spending. What impact do you anticipate such reductions may have on worker dislocation, and how does the Department of Labor plan to cope with any significant increases in the number of dislocated workers?

Answer. While any significant reductions in defense spending are likely to have ramifications in some sectors of the economy, we view the economy as a whole as dynamic and expanding. Programs in every State are ready to respond to worker dislocation whatever the cause. We are already working with the Department of Defense to identify the likely impacts of possible spending reductions, and to assist DOD and the States to minimize the negative impact of worker dislocations.

Question. Because reductions in the number of military bases not only increases the number of dislocated workers but can significantly affect entire communities, how does the Department of Labor plan to assist such communities?

Answer. The Department, through the Dislocated Worker Program, is ready to help adversely affected communities adjust to DOD base closings. The lead responsibility for helping communities resolve problems caused by base closings rests with the Defense Department's Office of Economic Adjustment. We regularly meet with DOD officials to share information and to ensure that programs administered by the Department of Labor are integrated in the DOD effort.

Question. To what extent has the Department of Labor coordinated its programs with the Department of Defense civilian job placement program?

Answer. The Defense Department's Priority Placement Program is the source of information on jobs within DOD nationwide, and is made available to civilian personnel who are losing their DOD jobs. In general, the services available through DOL programs (labor market information, employment counseling, and retraining programs) are offered to individuals after they consider positions available through the DOD program. Since each program is locally administered, information should be exchanged in order to best advise individuals who wish to consider their options in the local labor market.

IMPACT OF MINIMUM WAGE INCREASE ON SUMMER YOUTH JOBS

Question. Congress appropriated $709 million for this summer's youth employment program, intended to serve 604,000 participants. Subsequently, Congress raised the Federal minimum wage. What impact will the increased Federal minimum wage have on the number of youth enrolled this summer?

Answer. The Department figures participation in the summer work experience component at an average of 8 1/2, 35-hour weeks. The Department estimates the per participant cost for the summer program before minimum wage increases at around $1,122, almost all of which is associated with the compensation for summer work experience. Since the initial increase in the minimum wage is 15 percent, there would be an approximate equivalent reduction in the number of participants in the summer program. However, the Department is considering proposing a technical amendment to the JTPA which would permit summer program use of the "training wage" created by the Fair Labor Standards Act Amendments of 1989. If the training wage were authorized, the minimum wage change would have no impact on this summer's program. In future years, the use of the training wage would minimize the effect of the increased minimum wage upon both costs and levels of participants in the summer program. Of course, there needs to be a recognition of the fact that in many States and localities a level above the minimum wage is paid to reflect a higher State or local minimum wage or local labor market conditions.

Question. How much of a supplemental would be needed to offset the impact of the higher minimum wage for the summer youth program?

Answer. The Department is considering proposing a technical amendment to the JTPA which would permit summer program use of the "training wage" created by the Fair Labor Standards Act Amendments of 1989. This should minimize the effect of the increased minimum wage upon both costs and levels of participants in the summer program and eliminate the need for supplemental funding.

SUMMER YOUTH PROGRAM

Question. I understand there may be strong objections, particularly on the House side, to folding the summer youth jobs program into a year-round youth program. To what extent would your proposal still allow a local option to continue summer youth jobs programs?

Answer. Our proposal would continue to allow summer work experience as a part of the year-round youth program. However, to be eligible for this activity, a youth would also have to participate in additional education or training activities.

The new year-round youth program will target those youth most at-risk overall, and will result in a higher proportion of the participants having major basic skills deficiencies. We are concerned that these youth receive substantive services that will improve their long-term employability. We also hope to reduce the learning losses during the summer months characteristic of low skills proficient youth.

We expect that summer employment will be used to supplement other efforts designed to address the developmental needs of the at-risk youth population.

Question. Would you be willing to accept retaining a separate summer youth title in the Job Training Partnership Act?

Answer. No. Given the more at-risk youth population we are trying to serve, we believe it essential that summer employment, if provided, be part of an overall program of remediation, training and other services that will make a difference in the long-term. A program designed solely to provide employment for youth during the summer-months will not address deficiencies that may keep the youth from qualifying for regular employment.

YOUTH INITIATIVES

Question. Madame Secretary, your budget is attempting to address this skills gap problem particularly with the young by proposing two new programs. The first is a request for $253 million for a new youth job training program and the second is $50 million for a new Youth Opportunities Unlimited (YOU) demonstration program. Programs very similar to these have already been reported out by the Senate Human Resources Committee.

Please describe these new programs that you have proposed, and any significant differences from the Senate bill. If the Senate bill becomes law as reported, how will it affect your proposal?

Answer. Our bill is the product of a long and fruitful public dialogue. I personally worked to develop the JTPA amendments - in a joint bipartisan effort - to address the issues of a quality JTPA program and I am extremely pleased with the broad support they have received.

The proposed changes to JTPA are based on five key principles:

- Maintaining the successful cornerstones of JTPA.
- Improving targeting to those most in need.
- Achieving a comprehensive, coordinated human resource policy.
- Enhancing program quality.
- Increased accountability.

Let me describe the new youth programs --

Title IIB Youth Program. The bill replaces previous youth efforts under the Block Grant and Summer programs with a new year round youth program. We have requested more than $1.7 billion, including a $253 million increase, for this new State grant program. Some of the key changes are:

- A new formula targeting funds to those geographic areas with higher numbers of economically disadvantaged.
- Revised eligibility requirements. Today's program requires that youth be only economically disadvantaged. Under our bill, all youth must also face additional barriers to employment, such as skills deficiency, teenage parenting, homelessness and drop-out prone due to a poor school record.
- Enhanced program quality. All participants must be assessed to determine the specific services they want and need, and an individual service strategy must be designed. More intensive services will be offered with increased emphasis on the acquisition of basic skills, such as literacy and remediation. Follow-up assistance will be permitted for a year after a participant enters the labor market.

State Linkage and Coordination Program. Better coordination of programs for the disadvantaged, including youth, will occur through the development of coherent human resource policies at the State level. This program of incentive grants goes beyond the rhetoric of the past by providing financial inducements to develop better coordinated approaches to serve the disadvantaged.

Youth Opportunities Unlimited program. We have requested $50 million for a major new program of challenge grants to stimulate community-wide action targeted on youth in our country's most problem-ridden inner city neighborhoods and rural areas. We estimate at least 24 challenge grants will be awarded.

These new programs, along with the other major changes proposed, will make JTPA an even better program and will provide very needed opportunities for our youth to obtain desperately needed basic skills training, such as literacy and remedial education, as well as job training.

We believe that the Senate bill--S.543, the "Job Training Partnership Act Youth Employment Amendments of 1989"--represents an important step forward in advancing the employability of economically disadvantaged youth and adults. Although the Administration has a number of concerns with S.543, it would move toward achieving the bipartisan objective of improving the program and making it more responsive to the labor market of the 1990's. Some of the Administration's concerns with S.543 are:

- the authorization levels of more than $2.8 billion for FY 1990 for adult and youth training programs should be reduced;
- requiring that not less than 70 percent of adult participants meet at least one specified barrier to employment in addition to being economically disadvantaged is unduly restrictive and should be reduced to 50 percent;
- providing that no State could receive less than its present allotment of funds for three years would delay the effectiveness of the new funding formula, which is intended to allot more funds to States with the greatest concentration of the economically disadvantaged;
- the new categorical program for displaced homemakers limits the flexibility of the local delivery system, while the new grant program to replicate successful training models is unnecessary.

The Administration will work to have its concerns, including those noted above, addressed in the final version of the legislation.

Question. If, for some reason, the job training amendments are not passed by the time we go to markup, could we still do these new youth programs under existing authority?

Answer. No. These new youth programs could not be implemented under existing legislation. In my view, the current level of youth skills related to employer needs represents a potential crisis in the American labor market which must be dealt with now in order to help forestall significant future skills shortages. It is an imperative that must be addressed. For this reason, it is most important that the administration's legislation be enacted and the 1991 request be provided.

Question. What portion of Youth Opportunities Unlimited demonstration funds would you utilize for projects in rural areas?

Answer. The administration's legislation authorizes both urban and rural YOU sites, but does not specify the proportion of funds to be spent on each. S.543 states that not more than 40 grants will be awarded over the first five years of the program, and that at least one, but not more than three, will be awarded to Indian reservations and Alaskan native villages. We believe the flexibility afforded by the administration's approach is preferable.

The Department is committed to funding a number of rural sites under the YOU program. In the start up YOU effort, funded by JTPA pilot and demonstration resources, the Department will award at least one rural grant and at least four urban grants.

LITERACY

Question. I understand that the Department has used some of its JTPA demonstration money for literacy programs. Could you tell us what you have done on literacy this past year and what you are planning to do in the future?

Answer. During the past year, the Department of Labor's workplace literacy research and demonstration activities have focused on projects designed to: develop literacy training program models; test and demonstrate new basic skills training technology in the workplace; develop literacy assessment instruments; and promote the adoption of State policies in support of literacy. Many of these projects are being coordinated jointly with the Departments of Education, Commerce and other Federal agencies. Over $13 million is being spent on approximately 37 research and demonstration projects in the area of workplace literacy.

Our plans for future R&D activities continue to be aimed at increasing the workplace literacy of young people and adults and will center on ways to increase the efficiency and effectiveness of literacy and basic skills training. The centerpiece of this strategy will be the appointment of a Commission on Achieving Necessary Skills which will be charged with defining the skills workers need to cope with new technologies and that business needs to stay competitive. We will continue to jointly sponsor literacy projects with Education and other Federal agencies. Education and Labor will jointly fund a Center for Adult Literacy: a 5-year collaborative effort to improve the quality of literacy and basic skill services, and information sharing and dissemination about what is known on testing instruments, instructional techniques and technologies in adult basic skills. The Center will serve as a bridge between research and practice in the field and will be a resource for both policy makers and practitioners. We are participating, with Education and Health and Human Services, in a congressionally-mandated study about all adult education programs within the Federal government that support literacy, basic skills, English as a Second Language and adult secondary education. We plan to profile the literacy skills of populations served by DOL, in JTPA and the Employment Service, and using these results, develop an Adult Literacy Test that can help local education and job training programs place individuals into existing programs as well as evaluate the amount of learning that occurs.

We will continue our efforts to focus public attention on the importance of workplace literacy and to collect and disseminate "best practices and models". For example, a study with the American Society for Training and Development (ASTD) has resulted in two publications that have been widely disseminated to the public: **Workplace Basics: The Skills Employers Want** and **The Learning Enterprise**. Other publications from this study, **Training Partnerships** and **The New Economy**, will be available later this year.

Question. As you know, the Job Training Partnership Act amendments reported by the Labor Committee provide that basic educational services must be made available to every client who needs this help to prepare for the high skills jobs our economy is creating. How will you implement this mandatory guidance?

Answer. We will implement this requirement just as we implement other similar requirements that are in current law. Local Service Delivery Areas must submit their job training plans to the Governor for approval. These plans indicate how the SDA will comply with the requirements of the Act. Compliance with requirements of the law and regulations is also ensured through State and Federal oversight, monitoring and auditing.

POOR WRITING SKILLS

Question. The latest national writing tests showed that 32 percent of 11th graders could not write an adequate job application, and 72 percent could not write an adequate persuasive letter supporting or opposing the space program. How can we expect the best job training programs in the world to compensate for this lack of basic writing skills?

Answer. The Department of Labor recognizes that writing skills are an important part of the "basic skills" that are necessary to succeed in a changing and more complex labor market. The proposed JTPA amendments emphasize basic skills training as part of the education and training services needed to prepare at-risk individuals to succeed in the labor market. These basic skills are currently defined in the JTPA regulations for the youth employment competencies as the basic education skills of "reading, comprehension, math computation, writing, speaking, listening, problem solving, reasoning, and the capacity to use these skills in the workplace."

The proposed JTPA amendments would enhance program quality by providing more intensive and comprehensive services to participants. Service strategies would be developed based on individual assessments to address participants' needs. JTPA programs would be required to address identified deficiencies and would provide remedial education to improve writing skills as needed.

DENISON JOB CORPS CENTER/CHILD CARE FACILITY

Question. For the program year beginning July 1, 1990, the fiscal 1990 Labor-HHS bill included up to $1 million to establish a child care facility for enrollees of the Denison, Iowa Job Corps Center. As you know, more and more of those needing Job corps services are young girls with babies. It seems to me that such a facility is long overdue, and the Denison facility has the potential for relatively inexpensive expansion by renovating existing space.

What can you tell us about Labor Department progress to establish a child care facility at the Denison Job Corps Center and other Job Corps sites?

Answer. The plan for Denison is to modify an existing dormitory to house both parent and child. We are at a very early stage at this time. Indeed, we are still in the process of determining exactly how many units to include in the residence. The range under discussion is between 30 and 55. While detailed architectural plans are yet to be developed, it is clear that the modifications to the living areas will be extensive, and there will also be a requirement to construct a day care area to provide for the children while the parents are attending class.

Labor Department representatives have met with State officials in Iowa to discuss cost sharing arrangements for the provision of day care services and early childhood training when the facility is made operational. The State appears willing to cover the costs of providing these services to at least 30 children and possibly as many as 45.

Over the last three years, we have placed a great deal of emphasis on development of linkages between Job Corps centers and State and local agencies to arrange for provision of child care for Job Corps students, and many centers have been successful in developing formal agreements for child care services. Job Corps centers which have on-center programs or off-center child care available for students indicate that this service greatly enhances their ability to serve young women. We plan to continue efforts to expand the availability of child care through a combination of on-center and off-center programs.

In addition to existing onsite day care facilities at the San Jose and Atlanta Job Corps Centers, current plans for the new Job Corps center in Kansas call for a residential single parent program with child care provided onsite. Young mothers will be referred by AFDC and will be eligible for a child care subsidy which will help defray the operating costs of the program. We have also recently installed on-center child care programs for the San Diego Job Corps Center and for a 50-slot nonresidential program for teen mothers in Portland, Oregon. These programs are able to operate through the availability of State/local funds to support the operating costs of the child care programs. We also have an on-center child care program at the South Bronx Job Corps Center. This program is funded by the New York City Board of Education.

We anticipate that as States implement JOBS programs and child care support authorized by the Family Support Act, more Job Corps centers will be successful in developing linkages for child care. We believe this approach will enable us to enhance services to Job Corps eligible youth who are parents without duplicating available programs and services.

Question. How much will be needed to establish this day care center, and when do you expect to award the funds?

Answer. As indicated earlier, the Denison Job Corps Center will provide not only a day care facility for the children, but will also provide a residence for both the parent and the child. The costs of the facility modifications cannot be estimated precisely at this time. They will range between $500,000 to $1 million depending on the number of living units and the various features that might be incorporated into the design. Allowing for the time needed to prepare detailed architectural plans and specifications, we anticipate that a construction contract will be awarded sometime in the Spring of 1991.

JOB CORPS/AIDS VICTIMS

Question. As the result of a court settlement, the Job Corps now will place youth who have tested positive for the AIDS virus in residential programs. What impact will this have on Job Corps operations?

Answer. The impact will be minimal. Based on recent experience, we estimate that about 260 students per year will test positive for HIV infection. These students will undergo extensive medical and psycho-social assessment, and those without significant medical or psychological impairment will be retained. Again, based on recent experience, we estimate that about 180 will be retained each year. It should be noted that the students who are retained will not have the AIDS disease. If the disease manifests itself, the student will be medically terminated from Job Corps and referred to home community resources for treatment.

Question. Will you provide the necessary health services and counseling to accommodate the special needs of AIDS victims, and if so, what do you estimate will be the additional costs?

Answer. In the context of the above estimates concerning the number of students who will test positive each year and the number who will be retained, we estimate that the medical and psycho-social assessment process and the follow-up counseling and treatment will cost about $500,000 per year. Again, please note that the students who are retained will not have the AIDS disease. If the disease manifests itself, the student will be medically terminated from Job Corps and referred to home community resources for treatment.

JOB CORPS RESULTS

Question. The Inspector General's Office has reported that 43 percent of Job Corps enrollees surveyed in program year 1987 did not achieve successful employment within six months following training. That means that 57 percent got jobs, joined the military or entered further education.

How does this square with the Labor Department's estimate that 78 percent of those who leave the program obtain jobs, enter the military or go on to further education within six months after their departure?

Answer. The Office of the Inspector General's statement that 43% of Job Corps enrollees were not placed within six months following their training is a technical finding based on a placement survey they conducted which demonstrated that 20% of a sample of Job Corps placements could not be validated. The finding that 20% of the sampled placements could not be verified is different than concluding that these placements did not occur.

Verification by a third party of placements 8 to 20 months after the reported placements occurred is difficult. There are several reasons for this, including poor employer recordkeeping, particularly by small businesses which employ many Job Corps terminees, unwillingness on the part of employers and educational institutions to provide the requested confirmation data due to their understanding of privacy/confidentiality considerations, lack of current addresses and phone numbers of placement sources, and recordkeeping limitations associated with seasonal employers.

Job Corps placement data are based on reports received from placement contractors on placements made within six months of the students' termination. This information is more current and reliable than obtaining verification 8-20 months after the placements occurred. Consequently, the lack of data to enable the OIG to verify placements which occurred 8 to 20 months earlier cannot necessarily be interpreted to mean that those placements did not occur.

Nevertheless, in response to the OIG audit, the Office of Job Corps has strengthened its internal placement reporting and verification procedures to ensure maximum validity of placement information.

Question. What is your response to the Inspector General's finding that only 17 percent of Job Corps costs are spent on education and vocational training? Are not education and training the primary purpose of the Job Corps program?

Answer. The Inspector General's finding on this matter was based on the cost category definitions used within the Job Corps internal financial management system. In this system, the expense categories for basic education and vocational training are generally limited to the costs of consumable training supplies plus the costs of instructor salaries and benefits. The Job Corps believes there are other costs appropriately included as education and training costs. Excluded from these categories are several types of costs that would otherwise be properly allocable to the education and training function, such as outlays for training equipment, outlays for building materials used in trainee work projects, fuel and utility costs, facility maintenance and lease costs and so forth.

The pattern of spending in Job Corps is not unreasonable for a residential training program directed to the needs of severely disadvantaged young people. One of the chief features in the design of the Job Corps program is to put the student in a controlled and secure environment where learning can take place. This, of course, requires a substantial expenditure in the residential living component, not only for room and board, but for dormitory advisors, counselors, and recreation coordinators.

JOB CORPS

Question. Congress recently increased the Job Corps budget from $742 million in 1989 to $814 million in 1990. How will these new funds be used?

Answer. The question implies that there has been a $72 million (or 9.7%) increase in 1990 Job Corps funding relative to 1989 Job Corps funding. This is not the case.

The figure of $814 million quoted in the question applies to the 1990 Job Corps appropriation of $813.6 million prior to the 1.4% sequestration. The sequestration reduced the 1990 Job Corps appropriation by roughly $11.0 million to a new level of $802.6. Moreover, this reduced appropriation contains what is in effect a $13.5 million supplemental for program year 1989. In light of these circumstances, the difference between 1990 and 1989 funding is more accurately viewed as follows ($ in millions):

	1990	1989	Difference
Final Appropriation..	$802.6	$741.8	$60.8
1989 Supplemental....	<$ 13.5>	+$ 13.5	<$27.0>
Total................	$789.1	$755.3	$33.8

The net difference in funding can be broken down as follows ($ in millions):

Increased operating costs...............	$45.2
Reduced capital funding for facilities..	<$13.4>
Increase for child care services........	$ 1.5
Special allocation for Goodwill Games...	$ 0.5
Total...................................	$33.8

Question. What is the current status of efforts to increase the level of female enrollees in Job Corps?

Answer. The Office of Job Corps created a national task force on female recruitment and retention in 1988. This group is composed of representatives from all major components of the Job Corps system, such as national training contractors, Job Corps center directors, screening and placement contractors, center operators, Departments of Interior and Agriculture, Job Corps alumni association, WICS (Women in Community Service), and Job Corps regional and national staff. The task force has provided recommendations to the Job Corps director in the areas of facility needs, residential living, vocational training, and recruitment.

Job Corps has undertaken multi-year planning to estimate the level and type of efforts necessary to transform the twelve remaining all male civilian conservation centers to coed centers and to increase female enrollment from its current level of 38% to the goal of 50%.

From existing funds, Job Corps has funded small special female enhancement projects on some centers designed to make improvements to center facilities and services identified as important to females. These include greater privacy in bathroom and shower facilities, improved security lighting near dormitories, and additional recreational avocational equipment for women. Job Corps is revising its recruitment materials to include more emphasis on female recruitment. Job Corps is also initiating linkages with other agencies for child care.

Question. How extensively has child care been provided and how successful has this approach been?

Answer. Job Corps centers which have on-center programs or off-center child care available for students indicate that this service greatly enhances their ability to serve young women. In addition to long established onsite day care facilities at the San Jose and Atlanta Job Corps Centers, we have also recently installed on-center child care programs for the San Diego Job Corps Center and for a 50-slot nonresidential program for teen mothers in Portland, Oregon. These programs are able to operate through the availability of State/local funds to support the operating costs of the child care programs. Onsite child care funded by the New York City Board of Education is provided at the South Bronx Job Corps Center. The Potomac Job Corps Center also has onsite child care funded by the Head Start Program.

Question. Are you planning to expand child care arrangements for Job Corps participants with children?

Answer. Consistent with congressional intent, we will be installing a residential component for single parents at the Job Corps center in Denison, Iowa, with child care provided onsite. Plans for the new Job Corps center in Kansas also call for a residential single parent program. At both of these centers, young mothers will be referred by AFDC and will be eligible for a child care subsidy which will help defray the operating costs of the program. As we develop plans for the remaining five new Job Corps centers, on-center child care programs will also be considered in light of the suitability of the facilities and the extent to which State or local funds are available to defray the operating cost of a child care program.

Over the last three years, we have emphasized the development of linkages between Job Corps centers and State and local agencies to arrange for provision of child care for Job Corps students, and many centers have been successful in developing formal agreements for child care services. We plan to continue efforts to expand the availability of child care through a combination of on-center and off-center programs. This process will be promoted by using the $1.5 million enhancements in program years 1990 and 1991 for child care facilities, equipment, etc. where other funds are available to support the operational cost of child care programs for students.

As States implement JOBS programs and child care support authorized by the Family Support Act, we feel confident that more

Job Corps centers will be successful in developing linkages for child care. We believe this approach will enable us to enhance services to Job Corps eligible youth who are parents without duplicating available programs and services.

INCENTIVES FOR COLLABORATION

Question. In its report Working Capital: Coordinated Human Investment Directions for the 90's, the JTPA Advisory Committee to the Department of Labor recommended, among other things, that the Departments of Health and Human Services, Education, and Labor work together to promote legislation containing incentives for collaboration and eliminating barriers such as inconsistencies among programs. What is the Department of Labor's views on these suggestions?

Answer. The Department is very interested in collaborative arrangements among human resource development programs. One of the guiding principles of our proposed JTPA amendments is to achieve a comprehensive, coordinated human resource program. The amendments require local JTPA programs to establish linkages with other programs, including job training, education, rehabilitation, and welfare programs, and the Employment Service. In addition, the legislation mandates agreements between service delivery areas and local education agencies for serving in-school youth. At the State level, the proposal would establish a human resource investment council in each State to advise the Governor on the methods of coordinating federally-assisted human resource programs, including JTPA. In addition, the proposal would create a new State Linkage and Coordination Program which would provide incentives for States to establish specific statewide goals for serving the disadvantaged and develop a comprehensive plan to achieve these goals.

We are also working with other agencies to ensure that similar types of linkage and coordination arrangements are included in other human resource legislation.

Question. Is the Department working on compatible definitions and reporting requirements for JTPA and the Job Opportunities and Basic Skills (JOBS) program?

Answer. Compatible definitions and reporting requirements for JTPA and JOBS are the Department's long-term goal. JTPA is currently revising its performance management system, including reporting requirements, in anticipation of statutory changes in JTPA and to better coordinate its activities with JOBS. In doing so, representatives from Health and Human Services and Education have participated in Department of Labor sponsored meetings. These consultations have given both JTPA and JOBS representatives valuable information to (1) help determine the implications of alternative performance standards options on State and local programs, (2) suggest practical ways that the Departments of Health and Human Services and Labor can coordinate their services at the State and local levels, and (3) better understand the issues involved in developing compatible definitions and reporting requirements for the two programs.

Question. Is the Department considering common intake procedures for JTPA and JOBS?

Answer. The Departments of Labor, Education and Health and Human Services have recently signed an interagency agreement to provide technical assistance to State and local policymakers and program operators in the education, job training and welfare communities. This multi-million dollar, three year project will focus on assessment, case management and systems development, literacy and basic skills training, job skills training and child care. We believe that the this effort, particularly in the areas of assessment, case management and systems development, will be very valuable in helping local program operators develop intake procedures that can cut across program lines. However, the final decision on common intake rests, under both laws, with State and local administrators.

Question. Is the Department considering coordinating funding for JTPA and JOBS?

Answer. In general and where feasible, we support State and local efforts to combine resources to provide comprehensive education and occupational training services to AFDC recipients. In our proposed JTPA amendments, we included several provisions which are designed to facilitate such collaboration. For example, the administration's amendments mandate membership on the Private Industry Council of a local welfare agency representative and emphasize serving those AFDC recipients targeted under the JOBS program. At the State level, the amendments would establish a Human Resource Investment Council to improve coordination and maximize the effective use of resources under JTPA, JOBS and education programs. Also, a new State Linkage and Coordination Program would increase a State's capacity to design and implement comprehensive human resource development services. States could leverage resources for at-risk youth and adults from other human resource programs such as JOBS.

Question. To what extent is the Department promoting linkages with other agencies, for example, for support services and to combine education and training, to more effectively move youth into employment?

Answer. Over the years we have funded projects with the Departments of Health and Human Services and Education to enhance education, training and supportive services for at-risk individuals, primarily youth. Currently we are engaged with these Departments in a three year, multi-million dollar technical assistance effort to help States in the implementation of the new JOBS program. We are also working with the Department of Education on ways to improve JTPA coordination with local schools on obtaining PELL grants for eligible JTPA participants/students.

We have also undertaken a variety of research, demonstration, and technical assistance initiatives relating to coordination. For example, we are currently funding several studies that will increase our knowledge about the types of public and private linkages that exist in our communities for providing training. The Urban Institute recently completed a report on linkages between welfare and employment and training programs at 13 sites across the country that gave us important information on institutional arrangements between the two systems.

We are funding Youth Opportunities Unlimited (YOU) demonstrations that are designed to build comprehensive, coordinated neighborhood-based services for at-risk youth. The demonstrations have extensive requirements for collaborative planning.

In the area of technical assistance, we have recently distributed a guide on case management to the JTPA system which is a valuable tool for the coordination of human resource services.

To further promote linkages, our proposed JTPA amendments would establish a State Linkage and Coordination Program to provide incentives for States to leverage resources from other programs to better serve economically disadvantaged youth and adults. The legislation also includes new requirements for SDAs to coordinate with other local agencies and programs, including those that can provide supportive services such as child care.

INCENTIVES FOR COORDINATION OF JOB TRAINING PROGRAMS

Question. Secretary Dole, you have been working with Secretary of Education Cavazos and Health and Human Services Secretary Sullivan to try to bring about more effective coordination of job training programs. Yet the reality is that meaningful coordination at the State and local levels is difficult to achieve, despite the best of efforts at the Federal level. What are your thoughts about how job training programs can be more effectively coordinated at the State and local level?

Answer. We believe that the best strategy is one which combines requirements with positive incentives and assistance on how to actually develop linkages. Our proposed JTPA Amendments adopt this multi-faceted approach.

First, the proposal provides that JTPA service delivery areas must establish linkages with other human resource programs, including job training, education, rehabilitation, and welfare programs, and the Employment Service. Further, the legislation mandates agreements between service delivery areas and local education agencies for serving in-school youth. Second, recognizing that States play a key role in supporting and promoting local coordination activities, we would provide funds to each State for capacity building to help States develop the expertise needed to assist local areas in establishing linkages. Third, we would create a new State Linkage and Coordination Grant Program to leverage resources from other programs to achieve Statewide goals for serving the disadvantaged. Fourth, we propose to create a new State Human Resource Investment Council to coordinate the provision of services under JTPA and other human resource programs.

We are currently working actively with other Departments on several fronts. We are engaged with the Departments of Education and Health and Human Services in a three-year, multi-million dollar technical assistance effort to help States in the implementation of the new JOBS program. We are also participating in the development of an Administration-wide adult literacy initiative.

Question. Do you advocate providing greater Federal financial incentives to spur State and local coordination?

Answer. Yes. This is the reason we have proposed to use five percent of JTPA youth and adult program funds to provide financial incentives for coordination and linkages.

FRAGMENTED JOB TRAINING

Question. Integration of programs and services between departments, between programs within a department, or, most importantly at the point of service delivery--the local level--is often discussed but rarely occurs. Last year GAO identified over 45 programs spread across 6 departments that provided or supported skill training activities. What is the Department doing to promote cooperation with other Federal agencies so that, for example, limited JTPA funds for support services can be supplemented through other social programs?

Answer. The Department of Labor has consulted with the Departments of Education and Health and Human Services on a range of issues for promoting collaboration and cooperation among our State and local counterparts. For example, staff from all three agencies are actively involved in the technical assistance and training project on the implementation of the JOBS program. As part of this effort, staff are discussing how this technical assistance can promote local efforts to mesh support services, such as child care, with training and education. Another example is the discussion between Department of Labor and Education staff on how to encourage local JTPA offices to secure Pell Grants for JTPA participants in vocational programs that meet Pell requirements. These Pell Grants can help offset living as well as child care expenses.

Question. What steps is the Department contemplating to increase integration in the delivery of services by various employment and training programs, so that for example, the job search assistance offered by a local Employment Service office is not duplicated by the local JTPA office?

Answer. Our proposal to amend JTPA will severely curtail duplication by JTPA and the Employment Service in the provision of job search assistance. The amendments do not allow the JTPA program to provide job search as a stand-alone activity unless this type of service is not available through the Employment Service.

More generally, the amendments will facilitate integration in the delivery of services at the local level through case management, the development of an individual service strategy for each participant, and through requirements for linkages with other job training programs, such as Job Corps and JOBS. Similarly, at the State level, integration of services will be facilitated through the State Linkage and Coordination Grants and the new State Human Resource Investment Council.

Question. In general, does the Department have a view of how employment and training assistance might be more effectively provided at the local level through the currently apparently fragmented structure?

Answer. The Department is very interested in collaborative arrangements among existing human resource systems. Our proposed JTPA amendments require local JTPA programs to establish linkages with other programs, including education, rehabilitation, and welfare programs, and the Employment Service. In addition, the legislation mandates agreements between service delivery areas and local education agencies for serving in-school youth. The new Youth Opportunities Unlimited Program will foster linkages in inner city and rural poverty areas.

At the State level, the amendments would establish a human resource investment council in each State to advise the Governor on the methods of coordinating federally-assisted human resources programs, including JTPA. In addition, the proposal would create a new State Linkage and Coordination Program which would provide incentives for States to establish specific statewide goals for serving the disadvantaged and develop a comprehensive plan to achieve these goals.

JTPA PILOT AND DEMO PROJECTS

Question. Provide for the record a detailed breakout of pilot and demonstration activities funded in program year 1988, as well as preliminary estimates for program year 1989. Include the major individual projects, but combine smaller projects into major categories such as Activities for the Disabled.

Answer. The information follows.

	Funding Level ($ in thousands)	
	1988	1989
PROGRAMS FOR THE HANDICAPPED Includes activities to provide occupational training and employment assistance to physically and emotionally disabled, mentally retarded, deaf, blind and other handicapped persons.	$2,753	$3,655
TRAINING DEMONSTRATION ACTIVITIES Includes activities to develop training, credentialing and apprenticeship programs; and provide placement in a variety of occupations and industries nationwide.	2,972	2,963

PARTNERSHIP PROGRAMS Includes activities to facilitate and promote the participation of labor and community based organizations as a working partner with business and government in support of employment and training opportunities under JTPA; and to enhance business participation in programs at the State and local levels through training and technical assistance.	18,680 1/	12,624 2/
OTHER ACTIVITIES Includes a variety of activities targeted to special issues and groups in need of special assistance to overcome barriers to employment and to address critical skill shortage occupational areas.	14,559	11,011 3/
Total all Activities	$38,964	$30,253

1/ Includes funding for activities which extend into PY 1989.

2/ Reflects additional amount required to finance activities through the remainder of the year.

3/ Estimated. Actual amounts are determined through competitive negotiation process.

OMB LIST OF "HIGH RISK" PROGRAMS

Question. In December OMB reported that audit coverage under the Job Training Partnership Act was not in compliance with the Single Audit Act; the Department's current financial systems are inadequate; and stronger internal controls need to be asserted over Automated Data Processing procurement. I understand there are 11 areas identified to OMB by the Labor Department.

What actions are you taking to correct these deficiencies?

Answer. The Department is taking the following actions with respect to the deficiencies:

The Employment and Training Administration plans to conduct compliance reviews of all States to determine if there has been improvement in the compliance with the Single Audit Act. The individual review reports issued for each State will continue to provide suggestions and recommendations for improvements in States' audit resolution processes.

In an important first step, the Department is currently installing a new departmentwide accounting system to correct the most significant deficiencies in its financial systems. In addition, plans are underway to develop a grant management system to provide better accounting and related controls over grant programs. Work on financial systems and subsystems, including program systems, will continue through 1994.

The establishment of the Executive Computer Network has moved the Department to greater compatibility among DOL ADP systems and equipment. In addition, policies and standard included in the Department's issuance of "Information Technology Architecture 2000" are being implemented.

POOR FINANCIAL MANAGEMENT

Question. GAO has called for government-wide improvements in financial management systems. There are reportedly billions of dollars of differences between balances recorded in accounting systems and financial reports.

What is your assessment of weaknesses in financial management of your agency?

Answer. In the Department's FY 1989 Federal Managers' Financial Integrity Act report to the President and Congress, the following material weaknesses in financial systems were identified: information recorded in the Departmental accounting system and agency feeder systems is sometimes unreliable; systems documentation requires updating; timeliness and reliability of system operation are adversely affected by inefficient software and outdated input methodology; legislation is needed to require JTPA Title II grantee cost reporting by year of appropriation in order to meet other legal requirements; and property management system information does not provide adequate controls. A number of agency-specific weaknesses were also reported in the report.

Question. What specific areas could be strengthened, and what is your plan for making improvements?

Answer. These weaknesses are being addressed with a number of accounting system replacement projects including the Departmental Accounting System, a grant management system being developed by the Employment and Training Administration, and a system improvement effort for the Employment Standards Administration's Federal Employees Compensation Act program. We are working to develop and install improved systems between now and the end of 1994.

Question. Do you agree with GAO's assessment that managers need more and better training in Financial Integrity Act issues?

Answer. I believe that most managers throughout the government are sensitive to internal control issues. I would agree with GAO that some further training of managers might be of benefit, but I believe we should focus our finite resources on correcting the most significant internal control problems that concern us. The resources we do have available must be allocated carefully between training and other measures necessary to correct internal control weaknesses in a timely fashion.

UPGRADE OF DEPARTMENT OF LABOR FINANCIAL OPERATIONS

Question. In its 1988 transition report, GAO said that the Secretary should give high priority and allocate sufficient resources to completing the development of the Department-wide accounting system. Implementation of the central accounting system modernization program is critical to strengthening management and control over the Department's financial resources.

What is the status of the new accounting system and when will it be fully implemented?

Answer. The Department implemented the basic core accounting functionality of its new accounting system--the Department of Labor Accounting and Related Systems (DOLAR$)--in October 1989. Refinement of the core system will continue during FY 1990, including such components as time distribution and accounts payable. Related sub-systems for travel, accounts receivable, and procurement are scheduled for incremental delivery and testing during the latter part of FY 1990. The Department also envisions the need to upgrade the technological environment within which the system operates, in order to improve performance and reduce costs. Such technological changes will be tested in FY 1991 and appropriate modifications implemented for FY 1992.

Question. What will be the cost of the system when completed?

Answer. The total cost of the Department of Labor Accounting and Related Systems will be approximately $15,973,000. The following is a breakdown of these costs:

	Acquisition	Development	Transitional
Core and Related Sub-Systems	$5,096,000	-0-	-0-
Assets Management Sub-System	-0-	$ 500,000	-0-
Boeing Computer Services	-0-	-0-	$2,245,000
Contractor Support Services	-0-	-0-	1,747,000
Travel	-0-	-0-	278,000
Supplies and Equipment	-0-	-0-	1,022,000
OIG Staff Support	-0-	-0-	900,000
Federal Staff Support	-0-	4,185,000	-0-
TOTAL	$5,096,000	$4,685,000	$6,192,000

Question. How much is included in the Department's FY 1991 budget request for the system?

Answer. The Department's FY 1991 budget request includes $2,165,000 for the Department of Labor Accounting and Related Systems (DOLAR$).

UPGRADE DEPARTMENT OF LABOR FINANCIAL OPERATIONS

Question. The GAO transition report suggested that the Department obtain the views of program managers as the Department-wide accounting system is being developed in order to tailor the system to meet the managers' information needs.

Did the Department obtain the views of the program managers about their needs for data from the system?

Answer. The Department is utilizing a variety of mechanisms to assure that it obtains the views of its program and financial managers, as well as to communicate to them the current status of the implementation effort.

Throughout the developmental and, through the implementation, phases of this project the Assistant Secretary for Administration and Management established and maintains an open line of communication with the program agency heads concerning their respective agency financial management data needs and requirements. He briefs the Deputy Secretary and other top staff, and issues written status reports to all Executive staff, periodically. He also briefs the Agency Administrative Officers regularly and solicits their input. From time to time, particular issues warrant special attention as evidenced by written communications from program Assistant Secretaries or their top staff; these are responded to promptly and the matters involved given priority attention.

A Departmental Accounting System Steering Committee, which consists of senior financial management representatives from each program agency and a field office, was established with the Department's Comptroller as the chairperson to ensure that program agency needs and requirements are specifically addressed on a continuing basis.

Agency financial managers meet on a weekly basis to discuss the operational aspects of the implementation of the Departmental of Labor Accounting and Related Systems (DOLAR$). A weekly teleconference is held with regional financial managers. A weekly bulletin containing current information of interest is also disseminated. An "Adopt-a-Report" program has been instituted to assure that outputs of the new system are meeting management needs; this effort involves designation of a specific agency to review and critique in depth one or more of the more important reports generated by the system.

CHIEF FINANCIAL OFFICER

Question. GAO, in a November 1989 report on the Financial Integrity Act, urged creation of a Chief Financial Officer of the United States with responsibility for developing a long-range financial management improvement plan for the government.

Do you support the recommendation, which includes setting up corresponding chief financial officers in each major agency?

Answer. The Department supports the establishment of a Chief Financial Officer of the United States and a corresponding chief financial officer in each major agency. In the Department of Labor, we have asked the Comptroller of the Department to serve in that capacity and coordinate the Department's financial management improvement program with the OMB-designated Chief Financial Officer for the United States. The Department would not oppose a statutorily-based designation of Chief Financial Officers at various levels.

EMPLOYING THE DISABLED

Question. According to a recent Lou Harris Poll, two-thirds of all disabled Americans between the ages of 16 and 64 are not working at all; yet 66 percent of working-aged disabled persons, who are not working, say they would like to have a job. That translates into more than 8 million persons with disabilities who cannot find a job. Have you identified the major barriers to employment faced by disabled persons, so specific efforts can be made to overcome them?

Answer. We have identified three categories of barriers to employment: barriers related to employers; barriers related to people with disabilities; and barriers that are part of the larger infrastructure of our society. The Harris Poll indicates that employers see a lack of qualified applicants who have disabilities, inaccessible work sites, lack of programs to employ people with disabilities or of a feeling that employing people with disabilities is as important as employing members of minority groups or elderly people, and job discrimination as the most significant barriers. It is clear, also, that a lack of experience with people with disabilities acts as a significant impediment in many cases.

Attitudes of people with disabilities often are a barrier to employment as well. Several studies have shown that the longer a person with a disability remains unemployed, the less likely he or she is to become employed. In addition, since people with disabilities are disproportionately poor, they are subject to the same disincentives that affect other poor people. They tend to feel powerless and often do not think that they are capable of securing and holding a job. They do not know how to access the governmental systems that are available to them. The longer they remain unemployed, the more they feel that they cannot change their status. People with disabilities also face more specific disincentives to employment. Perhaps most important, many have a very realistic fear that they will lose access to medical insurance if they take jobs and thereby lose Medicare or Medicaid coverage. Also, people with disabilities often fear, again realistically, that they will lose their jobs and be unable to regain their benefits. Parents, also, often deter their children with disabilities from employment, either because the parents do not believe that their children can work, or because they want to assure themselves that their children will be protected by a benefit program in the event of their death.

The structural barriers to employment are myriad. Poor education, poor or no job training, a lack of information about jobs, inadequate or no transportation to get to work, inaccessible work places, lack of accessible housing, inadequate or no support services such as mental health care, basic independent living skills training, and advocacy training, all contribute to reduce enormously the opportunities for people with disabilities to secure and retain employment.

DRUGS IN THE WORKPLACE

Question. According to a Gallup Poll, one in four U.S. workers has personal knowledge of co-workers using illegal drugs on the job. Studies say drug abuse costs up to $60 billion a year in decreased worker productivity. Yet a Labor Department survey indicated that only 7 percent of the nation's business establishment had employee assistance programs to deal with drug and alcohol problems. What is the Department of Labor doing to combat drug and alcohol abuse in the workplace?

Answer. The workplace substance abuse initiatives administered by the Department of Labor are comprised of a variety of activities aimed at preventing substance abuse in the workplace and responding to problems that may already exist. Although the funds allocated to the Department are small in comparison with other agencies involved in the war on drugs, our programs are an important piece in the overall strategy to promote a drug-free workplace. Our goals include:

a) Raising awareness of the workplace substance abuse problem: prevalence, impact on workforce quality, safety, and productivity.

b) Promoting a comprehensive 5-point plan to all employers, encompassing the following: 1) a clearly written substance abuse policy; 2) an education and awareness program; 3) a supervisory training program; 4) an employee assistance program (EAP), or equivalent, and 5) substance abuse testing where appropriate.

Specifically, the Department of Labor has taken the following steps to combat drug and alcohol abuse in the workplace:

——The Bureau of Labor Statistics (BLS) published a Survey of Employer Anti-Drug Programs in January 1989 (survey taken in the summer of 1988). Follow-up surveys will be conducted to develop additional information on the private sector response to the problem of workplace substance abuse.

The Department has developed two publications for the private sector which address the problem of workplace substance abuse. The Department will be working closely with other Federal agencies and the private sector to identify additional informational needs and develop appropriate materials for employers who are not aware of or are not currently addressing the problem of substance abuse in their establishments; usually medium and small companies.

The Occupational Safety and Health Administration is currently administering 23 grants totaling $1.75 million for the purpose of assisting businesses in the private sector to develop employee assistance programs. Many of these grants will continue for two more years.

The Mine Safety and Health Administration has been working closely with the Mining Industry Committee on Substance Abuse to address the problem of substance abuse in the mining community. In addition to a survey to be released shortly, a manual and two videos have been produced for use by the mining community in education and prevention activities. A nationwide satellite seminar is scheduled for this spring.

The Employment and Training Administration has been funding two initiatives aimed at reducing substance abuse among participants in the Job Corps program. The Substance Use and Abuse Prevention Program educates Corps members about drug and alcohol abuse and tests them to help identify drug abuse among members. The Substance Intervention Program provides an opportunity for those whose drug tests were positive to participate in intervention activities.

Funds provided to States through the Job Training Partnership Act are an indirect means to address substance abuse. Sixty-six million dollars are being spent in FY 1990 on training programs and other assistance for individuals with recent drug usage.

TRANSITION FROM SCHOOL TO WORK

Question. It is evident that many non-college-bound high school students know little about job requirements and job seeking. The Employment Service formerly worked widely with the schools on providing youth with labor market information. What does the Department think of building on Employment Service efforts of some years ago to help guide high school students on moving into full-time employment?

Answer. The Employment Service has traditionally provided, and continues to provide, career guidance and job finding assistance using either out-stationed staff at high schools, and other out-reach sites such as JTPA or ES local offices. Where local needs dictate, State agency offices continue to provide in-school services. Some of this need includes career counseling, orientation, and familiarization programs for the world of work, and occupational and interest assessment.

Given the diverse needs among the States and even within the States, the current flexibility afforded the States enables them to best determine whether a high school program through the ES is needed. Many States have, through the regular high school curriculum, programs to respond to in-school world of work needs, and guidance/placement help for students who enter the labor force upon graduation.

LIMITED EMPLOYMENT SERVICE RESOURCES AND CUTBACKS IN SERVICES

Question. GAO recently reported that since 1984 Federal funding of the Employment Service (ES) under the Wagner-Peyser

Act, when adjusted for inflation, has declined by over 7 percent. These reductions appear to coincide with changes in the services provided to jobseekers by ES offices. For example the number of applicants receiving counseling has declined by over 50 percent in the last 10 years. To what extent are the differences in resources and services available related to variations in local ES office performance?

Answer. A recent GAO study measured and ranked the performance of local offices solely on the basis of "placements," a measure that is increasingly questioned as an adequate measure--in and of itself--of what it is local ES offices do. The study evaluated the performance of 1700 local operations and found that performance does not relate to resources available. GAO found that above average performing offices are more likely to be those that interact with JTPA Title II programs, use individual intake, use managers and counselors for applicant and employer services, and use computers to search applicant and employer files. They are also more likely to be found in States that conduct extensive monitoring, have minimum performance goals, give performance rewards, and rely on more than Wagner-Peyser funds for ES operations. We are unaware of any other studies in the ES that address the relationship of performance and resource/services available.

Question. Are there plans to increase Federal technical assistance to States that have below average performance?

Answer. ES funds are distributed to the States on a formula basis consistent with the Wagner-Peyser statute and each State in turn is responsible for planning the use of these funds to meet State and local labor market needs. The concept of "below average performance" assumes that all States should then be assessed in accordance with a particular nationwide yard stick. This would be inconsistent with the broad discretion afforded to the States under the Wagner-Peyser Amendments of 1982.

The Secretary has recently announced an ES initiative which is in partnership with the States and will explore ways to assure the ES is an effective labor market intermediary of the near and distant future. Through this initiative, the Department's intent is to increase the overall effectiveness of the ES in delivering services through a variety of service options.

Question. Some of the below average performing States are in the so called "rust belt" that were hit by high unemployment and significant funding reductions during the 1980s. Will supplemental funding be provided to these States ES programs as part of an overall technical assistance package to improve their performance?

Answer. As indicated, ES funds are allocated to States by statutory formula. The Department does not have the option to use these funds for providing technical assistance to the States. To address overall effectiveness and efficiency of the ES, the Secretary in partnership with the States, has initiated a special effort to assure that the ES is capable of responding to labor market needs of the future.

LIMITED FEDERAL MONITORING OF EMPLOYMENT SERVICE PERFORMANCE

Question. Since the 1982 amendments to the Wagner-Peyser Act, the Department of Labor has significantly reduced its role in monitoring state and local Employment Service office operations. Does the Department have the data and information necessary to perform effective oversight of state and local office performance and to provide assistance where needed?

Answer. Increasing reporting requirements would provide additional information which could be useful to oversight and technical assistance efforts. The Department is also mindful of the workload burden associated with any increased reporting requirements. Because of this, a workgroup of Federal and State officials was convened to review the present reporting requirements and to consider and propose alternatives giving consideration to both Federal management needs and State capacity to readily provide information.

Question. What is the status of the new reporting system being developed in cooperation with State Employment Service agencies?

Answer. The joint workgroup of Federal and State representatives developed recommendations for data collection and a timetable for implementing collection. This paper was widely circulated among the States and comments were received. However, it has been decided that final decisions on reporting changes should await the outcome of the Secretary's Employment Service Initiative.

Question. Why has the Department not developed minimum performance standards for state and local Employment Service offices as suggested in the 1982 amendments?

Answer. Prior to and including 1984, performance standards were issued to the States. This was during a period of increased Federal influence on State program design. However, after the 1982 amendments, with its redefined Federal and State rates, the standards were provided for optional State use. The 1984 standards focused heavily on "placements" as the primary measure for ES activity. With the broad discretion provided the States by the 1982 amendments the Department decided that to continue this singularly oriented focus would unnecessarily restrict the States flexibility to design and offer services to meet the diverse needs among the States.

PENSION BENEFIT GUARANTY CORPORATION

Question: What will be the long-term effect on PBGC if firms continue to recapture "surplus" pension assets?

Answer: There has been a steady decline in the number of large reversion cases since the height of reversion activity in 1985. However, replacement defined benefit coverage has declined from a high of 70% of participants in 1986 to a low of 34% in 1988.

Based on preliminary data for plan terminations in 1989, the defined benefit replacement rate appears to be increasing. If there is no replacement defined benefit plan when plans terminate, then PBGC loses premium revenue. Likewise, PBGC's exposure to the losses from the termination of defined benefit plans is also reduced.

Question: What is the current PBGC operating deficit, and when will it be fully amortized?

Answer: The single-employer program has a current deficit of $1,124 million and the multiemployer program a surplus of $123 million. We expect the multiemployer program to continue to have a surplus. The rate at which the single-employer deficit will be amortized is highly sensitive to the outcome of the LTV litigation, future claims experience and future investment performance.

Under the scenario used for the financial projections on which the 1991 budget is based, the single-employer program deficit will decrease to $0.3 billion in FY 1997 and then begin to grow if the premium rate remains constant. If the PBGC is not successful in the LTV litigation, the deficit will grow throughout the next ten years.

Question: What will be the effect on PBGC if you are required to insure LTV's terminated pension plans? When will the U.S. Supreme Court be hearing this case?

Answer: The PBGC would assume responsibility for about 100,000 participants of the LTV plans. About 60,000 are in active pay status. Since the budget does not reflect budget authority to pay benefits to LTV in FY 1991, estimates in the budget would need to be changed. Assuming responsibility for these plans could more than double the PBGC's deficit and other companies might try to follow LTV's example. The Supreme Court is scheduled to hear oral arguments on this case on February 27, 1990.

Question: Would insuring the three LTV pension plans require an increase in premiums charged other ongoing plans?

Answer: PBGC's taking responsibility for the three contested LTV plans alone would not require a premium increase. However, the ultimate financial effect on PBGC will depend on whether other companies experiencing financial problems try to follow LTV's example. Thus if we are required to take responsibility for the LTV plans, we will have to examine the adequacy of the existing program and premiums and consider the proposal of new legislation to address the problem.

Question: What is PBGC's estimated "risk exposure"? Are there particular plans or industries that are of special concern?

Answer: Pensions are healthier than ever before, and defined benefit plans in the aggregate are overfunded by almost $200 billion. Within this universe, some pension plans are underfunded and total underfunding is estimated at $20 billion to $30 billion. This exposure is concentrated in the airline, steel and automobile industries.

Question: Do funding waivers generally contribute to the ability of companies to maintain their pension plans or in the long run do they saddle PBGC with more debt?

Answer: In the underfunded plans that have terminated, unpaid and waived contributions have generally constituted a considerable portion of total plan underfunding. The funding reforms in the Pension Protection Act of 1987 included a tightening of the funding waiver rules in order to protect participants and the PBGC from losses due to funding waivers. Under current law, employee representatives must be notified of waiver applications, fewer waivers are allowed and the hardship for which the waiver is granted must be temporary. Also the entire control group is liable for payment of waived amounts.

PRIVATE PENSION PLANS

Inspector General Ray Maria has issued a warning that the nation's $1.7 trillion private pension system is at risk, and that inadequate monitoring could lead to a financial crisis rivaling the savings and loan scandal. You have called this comparison unnecessarily alarmist, and have sought to reassure the nation's workers and retirees. Yet, you are asking for an increase in enforcement staff from 200 to 300.

You were quoted in the Post last week as being interested in finding ways that "private individuals could bring legal action" as a way of overcoming shortages of Federal regulators.

Question. What changes are you considering to make it easier for employees to help police pensions through legal action? Will this require legislation?

Answer. The Department has been reviewing various options for increasing private civil enforcement of ERISA in an effort to determine whether any cost effective means can be devised to assist private plaintiffs in bringing civil actions. We are now in the process of making recommendations based upon that review. The Department believes, however, that it would be premature to say whether legislation is required in this area before we have completed this process.

MEETING WITH THE INSPECTOR GENERAL

Question. Have you met with the Inspector General to resolve differences over the adequacy of Labor Department auditing of pension plans?

Answer. Meetings have been held with the Office of the Inspector General (OIG) regularly over the last several months to address issues which will enable PWBA to better protect the interests of participants and beneficiaries of the country's employee benefit plans.

DEPARTMENT OF LABOR ENFORCEMENT OF ERISA

Question. In 1985, GAO made several recommendations for improving the Department of Labor's ERISA enforcement program. These included (1) developing a comprehensive long-term enforcement strategy and specific case selection methods to achieve the strategy's objectives, (2) holding managers accountable for following the strategy, (3) periodically evaluating the strategy's progress, and (4) improving staff training. Labor has taken several actions to address these recommendations. Has Labor evaluated its ERISA enforcement strategy implementation plan? If so, what were the results?

Answer. The ERISA Enforcement Strategy Implementation Plan (ESIP) has been in place since December 1986. The ESIP established a national policy direction and structure for PWBA's enforcement program to most effectively use PWBA's enforcement resources in areas which will have the greatest impact in safeguarding employee benefit plan assets. To further this goal, the ESIP calls for investigations relating to two Significant Issues: potential abuses by: (1) service providers to welfare plans and (2) financial institutions which manage employee benefit plan assets.

In 1989, PWBA conducted an evaluation and concluded that overall the results under the ESIP have been a better utilization of PWBA's enforcement resources. In FY 1989, PWBA closed 1,581 investigations; of these investigations, 525 (one-third) were of Significant Issue cases, and the remainder were general cases where the focus was directed toward employee benefit plans. The 525 Significant Issue investigations affected approximately 78,000 plans and 4.9 million participants and over the last three years, PWBA closed 1,013 such cases involving 119,000 Plans. The ERISA Enforcement Strategy Implementation Plan has thus greatly broadened the impact of PWBA's investigations in the employee benefit plan community.

DOL FOCUS ON "SIGNIFICANT ISSUE" CASES

Question. What have been the results of Labor's focus on significant issue cases?

Answer. The Department of Labor adopted the PWBA ERISA Enforcement Strategy Implementation Plan (the ESIP) in December 1986. The ESIP established a national policy direction and structure for PWBA's enforcement program to most effectively use PWBA's enforcement resources in areas which would have the greatest impact in safeguarding employee benefit plan assets. To further this goal, the ESIP calls for investigations relating to two Significant Issues: potential abuses by service providers to welfare plans and by financial institutions which manage employee benefit plan assets.

Overall, the enforcement results under the ESIP have been a better utilization of PWBA's investigative resources. In FY 1989, PWBA closed 1,581 investigations: of these investigations, 525 (one-third) were of Significant Issue cases, and the remainder were general cases where the focus was directed toward employee benefit plans. The 525 Significant Issue investigations affected approximately 78,000 plans and 4.9 million participants. The focus on Significant Issue cases has greatly broadened the impact of PWBA's investigations in the employee benefit plan community.

There has been a small drop in the absolute number of investigations over the past three fiscal years as a result of the implementation of the ESIP. This decrease has occurred because the Significant Issue cases, due to their size and complexity, require more investigative time, than an investigation directed primarily toward one plan. However, as noted above, they affect a larger number of plans, participants, and assets.

STATUS OF NEW DATABASE FOR IMPROVING CASE SELECTION

Question. What is the status of Labor's new database system for improving case selection?

Answer. The ERISA Information System (Database) may be viewed as being comprised of three components: (1) a system in which the data on the Form 5500's is key entered, screened and any missing or inconsistent information is obtained from the filer, (2) a central database which enables DOL to aggregate and analyze the data to identify plans with indications of violations and to conduct research, and (3) a system of Local Area Networks (LANs) in PWBA's Field Offices which are linked into the central database to enable field staff to select targets for investigation based on the analysis conducted and to maintain information on the status of investigations. The first and second components began operation in July, 1989. The system is now on-line and the analysis of the data for targeting purposes is being conducted. The field LANs are scheduled to be operational in June 1990.

IMPLEMENTATION OF ERISA INFORMATION SYSTEM (EIS)

Question. How will the system be implemented and field staff trained in its use?

Answer. The ERISA Information System (EIS) has three components. The first component handles the receipt of data, data conversion, and editing of the Form 5500 annual reports. The second component creates and maintains the national data base and field office data base for filers within a field office's jurisdiction. The third, and final component, is a micro computer based access system for national and field office staff.

The first two components have been fully implemented. The third component is under development, and is scheduled for implementation during the summer of 1990.

The PWBA EIS training plan for field staff consist of four general phases. The first phase of training, which has been completed, was prerequisite training designed to prepare staff for assuming new duties under the EIS. The second phase is orientation training to provide an overview of the new system. The third, is end user training to give hands on experience in use of the new system. The fourth, is training for the local area network system.

EVALUATION OF DATABASE SYSTEM

Question. How does Labor plan to evaluate the performance of the database system in improving case selection to investigate plans with a high potential for ERISA violations?

Answer. PWBA will conduct a long term evaluation performed two years after the targeting programs are implemented, and will use information from completed cases to measure the success or failure of a particular program. PWBA realizes, however, that two years is too long to wait for results and that some form of interim evaluation must take place. A short term evaluation, testing a number of programs each year, will allow us to fine-tune targeting programs.

The general concept of short term testing is similar to the long-term approach, except that evaluations of investigations in progress by field investigators and managers will be used instead of data at the time the case is closed. In other words, instead of waiting until a case is closed to determine whether the computer targeting was successful (i.e. an indicator that a violation has occurred), the investigator and the manager will record their views, while the investigation is still in progress, as to whether the case is likely to be successful.

In the short term testing, field offices will be required to open limited investigations based upon potential violations. The test will conclude for each plan when the limited investigation is closed because no further action is required, or when the limited investigation is converted to a full fiduciary violation investigation because facts uncovered warrant a full investigation.

The results of both the short term tests and the long term tests will be subjected to statistical analysis to compute a success rate for each targeting program.

SELECTION OF CASES USING THE DATABASE SYSTEM

Question. What proportion of Labor's investigations will be cases selected by the database system?

Answer. In FY 1989, without the new database system, approximately one-third of the cases PWBA closed were opened as a result of the existing targeting system. Once the system is in full operation, field offices will open a minimum of fifty percent of their cases from plans targeted by the new system. We anticipate that this will be feasible because of the greater amount of data available and the increase in the completeness of the data in the new system.

REQUIREMENT FOR ADDITIONAL STAFF TO ENFORCE ERISA

Question. How many more staff does Labor estimate are needed to effectively enforce ERISA?

Answer. The Department has requested 133 new full time employees for ERISA enforcement, 100 of which will be used by the Pension and Welfare Benefits Administration for civil and criminal enforcement of ERISA, and 33 by the Office of the Solicitor for litigation support activities. The increased positions will enable the Department to generate 1,000 additional investigations and to increase its reporting compliance reviews annually. We believe these additions will result in $46 million in restored assets to pension plans.

INSPECTOR GENERAL COMMENTS ON THE ERISA ENFORCEMENT PROGRAM

The Department of Labor's Inspector General has recently reported that the Department's ERISA enforcement program has been ineffective. The IG has recommended strengthening the independent public accountant reports that plans with 100 or more participants are required to file, so they can be more effective enforcement tools. The IG has also recommended more emphasis on criminal prosecution of ERISA violations.

EXEMPTION FOR LIMITED SCOPE AUDITS

Question. Does Labor support the IG's recommendation to drop the exemption for limited scope audits?

Answer. The Department is considering the IG's belief that elimination of the limited scope audit exemption could provide additional protection to participants and beneficiaries of employee benefit plans. The Department is still considering whether the cost of eliminating the limited scope audit exemption would justify the change.

ORIENTATION OF COMPLIANCE AUDITS

Question. Should the IPA audits be more compliance oriented in such areas as potential fiduciary violations and internal controls? If so, how should the audits be modified?

Answer. The Department believes that the financial audits presently required by ERISA could be more compliance oriented, and is considering whether such a change is needed.

The AICPA is in the process of revising ITS audit and accounting guide for Audits of Employee Benefit Plans, which provides accountants with recommended guidelines for auditing employee benefit plans. PWBA and OIG sent a joint letter to the

AICPA on January 18, 1990 making numerous specific recommendations for revision of this audit guide. The central focus of the comments was to make more specific the auditor's responsibility to detect certain ERISA violations.

The AICPA responded in a letter of February 7, 1990. They responded positively regarding a minor portion of our suggestions. However, the AICPA made it quite clear that they view the basic purpose of their audits as "...to provide reasonable assurance that an entity's financial statements comply with generally accepted accounting principles...", rather than to ascertain compliance with ERISA. They further expressed the view that compliance audits are a separate matter which they will be glad to work with us on, if "...DOL and Congress determine that compliance audits are cost beneficial and effective..."

USE OF IPA AUDITS IN SELECTING PENSION PLANS FOR INVESTIGATION

Question. How does Labor use the IPA audits in selecting plans for investigations?

Answer. Whether or not a plan has an audit, and the type of audit opinion received, are two items of information which are entered into the database PWBA develops from the processing of Forms 5500s. These data elements can be used, alone or in conjunction with other data elements, as a basis for targeting plans for investigation, e.g., plans where the auditor has issued an adverse or qualified opinion. Furthermore, when PWBA manually reviews Forms 5500, attached audited financial statements provide information, in addition to that included on the basic Form 5500 itself, which can be used in the investigation.

IPA AUDITS FOR PENSION PLANS WITH LESS THAN 100 PARTICIPANTS

Question. Should ERISA be amended to require IPA audits for plans with less than 100 participants, at least periodically?

Answer. In the context of developing a proposal on the feasibility of requiring "compliance audits" for plans (i.e., separate and apart from the financial audits now required of some plans), PWBA considered whether small plans should be subject to such compliance audits. This would be significant because these small plans are not required to have audited financial statements. Various options such as extending a compliance audit requirement to some small plans were considered based on criteria such as amount of assets, number of participants, or every third year. However, consideration of requiring audits of small plans is being deferred pending (1) resolution of questions concerning the improvement of financial audits and the feasibility of compliance audits and (2) a cost benefit analysis of extending audit requirements for small plans.

DOL MONITORING OF IPA'S

Question. How will Labor monitor the work of IPA's to ensure that it complies with AICPA and Labor standards?

Answer. In July 1988, the Pension and Welfare Benefits Administration (PWBA) established the Office of the Chief Accountant (OCA), one of whose divisions is responsible for monitoring the work of IPA's.

The Division of Accounting Services (DAS) is presently developing a quality control program which will include actively and aggressively reviewing the work performed by independent qualified public accountants (IPAs). This review program will involve careful targeting of cases and a thorough review of case files once they are identified.

Targeting of Case Files

The success of any program such as the Quality Control Program is dependent on the cases that are identified for review. The need for careful targeting is also crucial due to the limited resources available to perform such reviews. DAS will develop its case workload by:

- receiving referrals from the Office of Enforcement (OE). As part of their investigation of employee benefit plans, OE is in an excellent position to make a preliminary determination of potentially deficient IPA work.
- requesting case files from the newly created IRS/DOL database. This database has recently been developed as part of PWBA's Reporting Enforcement Program, whose mission is to perfect the information reported on the Form 5500 Series filings.

Review of Case Files

Once targeted, DAS' review will be twofold: (1) all cases will receive a "desk review" concentrating on reporting and disclosure violations that can be identified in the IPA's report; and (2) on-site reviews will be performed for selected cases. These reviews will consist of reviewing IPA work papers and all phases of the audit engagement to determine whether such work was performed in accordance with generally accepted auditing standards (GAAS). Deficiencies identified in the IPA's work may be referred to either the American Institute of Certified Public Accountants (AICPA), applicable state boards of public accountancy or both, as appropriate in the circumstances.

EMPHASIS ON CRIMINAL CASES AS A DETERRENT

Question. Should Labor increase its emphasis on criminal cases to create a greater deterrent against ERISA violations?

Answer. Some have questioned the balance struck between civil and criminal enforcement. PWBA's enforcement strategy focuses ITS resources to deliver the greatest deterrent effect and to safeguard the largest number of pension and welfare plans. We are presently studying the issue of increasing emphasis on criminal cases, and the Department will make its recommendations concerning this issue by March 15, 1990. Currently, when PWBA opens an investigation, it decides, based on the facts uncovered, whether a civil or criminal case should be pursued. If facts indicate that a criminal violation may have occurred, a delegation is sought from the appropriate United States Attorney's Office and the case is pursued as a criminal case. It should be noted, however, that prescribing minimum levels for criminal cases may cause scarce enforcement resources to be directed towards certain types of violations which may not represent the most efficient or effective use of the limited number of investigators available.

PROTECTING PENSION PLANS

Question. Are civil penalties in the ERISA law an adequate deterrent to fraud and abuse?

Answer. ERISA civil penalties are a deterrent to abuse of plans, not only because of the recovery of funds lost due to failure to meet the prescribed fiduciary standards, but also because the court can order equitable relief such as removal of trustees or appointment of an independent trustee to operate the plan, as well as substantial tax penalties on those who illegally deal with plans.

Federal crimes (embezzlement and payments to influence the operation of plans) were the most prevalent criminal acts associated with employee benefit plans at the time of the passage of ERISA and still are. During the course of a PWBA civil investigation, the field office enforcement managers consider whether the violation suggests a criminal as well as a civil violation. In cases where such conduct constitutes a federal crime, PWBA will also pursue the matter as a criminal investigation. We are reviewing these provisions to determine whether they can be strengthened as well as whether these provisions can be made more effective.

SUMMARY OF ERISA INVESTIGATIONS

Question. Could you give us a summary of the number of investigations that have been undertaken by the Department, how many and what type of violations were found, and how these cases were resolved?

Answer. During fiscal year 1989 the Pension and Welfare Benefits Administration completed 1,581 cases, which included 508 cases with a finding of violations of ERISA. When an investigation documents ERISA violations, the case can be resolved either by voluntary compliance (that is, offering the fiduciary the opportunity to take corrective action), or the Department may file a civil complaint in federal district court or obtain an indictment for criminal violations. In fiscal year 1989 PWBA concluded 508 cases with a finding of violations, filed 46 cases in federal district court and obtained 11 indictments. In addition, PWBA cases recovered $111 million for employee benefit plans. Generally the violations relate to breach of fiduciary duties or a prohibited transaction. Also in every case where a prohibited transaction is found, we notify IRS so that an excise tax can be assessed.

"CHURNING" OF STOCKS HELD BY PENSION PLANS

Question. Are you aware of any excessive "churning" of stocks held by pension plans?

Answer. The Department has found no evidence of such activity. In fact, we have found that pension fund turnover generally has been decreasing in recent years. We will continue to monitor the situation closely.

SOCIAL INVESTMENT OF PENSION FUNDS

Private pension funds are supposed to be invested in such a way that returns to the beneficiaries are maximized. With tight Federal budgets, there is a growing temptation to also utilize pension funds to achieve social objectives, such as advancing businesses owned by women and minorities, promoting residential housing and investing in roads and bridges.

Question. To what degree do you think pension funds can be used to advance social objectives without sacrificing benefits of retirees?

Answer. It has long been the Department's view that social goals cannot be allowed to take precedence over the goal of providing retirement income to participants and beneficiaries.

Investments that are socially motivated which produce lower investment returns for a given level of risk are contrary to ERISA. ERISA requires that a plan must be maintained for the exclusive benefit of plan participants and beneficiaries, and that individuals or entities who exercise discretionary authority or control over the management of plan assets must act with the care and skill that a prudent person acting in a like capacity would use. A fiduciary who takes into consideration objectives other than those of providing retirement income, at the expense of economic return to the pension plan, will be in violation of ERISA.

The Department neither encourages nor discourages specific types of investments. It is the Department's view, however, that ERISA requires fiduciaries to consider the merits of each investment and to determine whether, based on the plan's portfolio and its particular needs, the investment provides a rate of return commensurate with the financial risk involved.

To the extent that socially motivated investments do not compromise the economic balance of risk and return to the plan and are consistent with ERISA's diversification and other requirements, they are not improper. However, the Department believes that pension plan assets should not be used to subsidize investments that cannot stand on their own merits. To do so would only serve to mortgage the retirement income security of American workers and retirees.

LIMITS ON INVESTMENT OF PENSION FUNDS

Question. What limits are currently placed on how pension funds can be invested?

Answer. ERISA requires that investments be made solely in the interest of plan participants and beneficiaries, be prudent, and be diversified so as to minimize the risk of large losses. While ERISA does not direct plan fiduciaries to make particular investment decisions, it does require that they consider the economic merits of each investment and determine whether, based on the plan's portfolio and its particular needs, the investment provides the return consistent with the financial risk involved. In addition, ERISA specifically prohibits plans from engaging in certain transactions involving parties in interest or self dealing on the part of plan fiduciaries. ERISA does, however, provide certain statutory exemptions for some prohibited transactions and provides the Department with the authority to grant administrative exemptions from the prohibitions, where the statutorily required findings can be made.

PENSION PORTABILITY

I know that the issue of pension portability is a high priority of yours.

Question. What are you doing to address this issue (pension portability), and how is this reflected in your budget before us today?

Answer. The Department is reviewing the results of recent studies of the sources of portability losses, and we have initiated new, comprehensive research into the factors underlying workers' decisions to change jobs. In addition, the Department will consider formulating a proposal to increase pension portability. Our goals are to enhance portability, encourage preservation of retirement assets and expand coverage of workers in employer-sponsored plans.

PROTECTING PENSION PLANS

Inspector General Ray Maria has been highly critical of the Labor Department's weak enforcement of the Employee Retirement Income Security Act (ERISA) and the inadequacy of protections provided to pension plan participants.

Question. What is your response to charges that the Labor Department's oversight of pension and welfare benefit plans is inadequate and needs improvement?

Answer. The Department has attempted to maximize the allocation of our resources toward the effective enforcement of ERISA, and we are proud of the results that we have achieved. In the last 5 years, we have closed 8,268 cases which resulted in the recovery of over $480 million. The Department, however, is always looking for ways to enhance ERISA enforcement. We are currently reviewing measures to strengthen our ERISA enforcement program and we are committed to completing that review by March, 1990.

SCOPE OF UNDERFUNDING IN PENSION PLANS

Question. Do you agree with the characterization made by your Inspector General that "unless steps are taken now, today's S&L bailout may become tomorrow's ERISA nightmare"?

Answer. There is no basis for comparison between private pension plans and savings and loan institutions. We have seen no evidence of widespread and systematic fraud and abuse of benefit plans. In one effort to determine if this was the case, we looked at plans that were terminated without sufficient assets to pay benefits. We found no correlation between underfunded plans and illegal activity. While there are some underfunded plans, the cause of their underfunding does not lie in illegal activity, but rather in weaknesses in the law, some of which have been corrected.

Congress and the previous Administration addressed the structural causes of underfunding in the Pension Protection Act of 1987 by strengthening pension funding requirements and imposing risk-related premiums on underfunded plans. This contributed to a 30% reduction in PBGC's accumulated deficit during 1989 (not including the LTV matter, which is before the Supreme Court). Terminations of underfunded plans dropped to 46 in 1989, down from 79 in 1988.

MONITORING COMPLIANCE WITH ERISA

Question. How many investigators do you have to monitor compliance with ERISA?

Answer. The Pension and Welfare Benefits Administration is currently authorized a total of 235 investigator positions with which to monitor compliance with ERISA. The total enforcement staff in the national and field offices is 303. With increases requested in the FY 1991 budget, we will have 323 investigator positions.

INDEPENDENT PUBLIC ACCOUNTANT AUDITS IN ERISA

Question. Do the independent public accountant audits called for in ERISA adequately disclose fraud and abuse?

Answer. The Department is of the opinion that the ERISA audit process could be improved. These improvements should include ensuring that audits of employee benefit plans, as required by ERISA, are performed in accordance with (GAAS). The AICPA's current project to modify their audit and accounting guide, entitled Audits of Employee Benefit Plans, is an excellent beginning toward achieving this goal. In our view, modifications are necessary to clarify the auditing profession's responsibilities for audits of the greater part of the approximately $2 trillion in assets held by employee benefit plans.

Proper interpretation and application of GAAS with respect to employee benefit plans is of great concern to the Department. We are particularly concerned about how two new AICPA pronouncements, namely Statement on Auditing Standards (SAS) No. 53, "The Auditor's Responsibility to Detect and Report Errors and Irregularities, and SAS No. 54, "Illegal Acts by Clients" will be interpreted in the audit guide and applied in practice.

The Department believes it would be beneficial to use these pronouncements to bridge public expectations of the auditor's responsibility and the auditor's assessment of that responsibility.

PROCEDURES FOLLOWED AFTER FINDINGS OF CRIMINAL VIOLATIONS

Question. What procedures do you follow when criminal violations are found?

Answer. The day to day supervision and conduct of criminal cases is handled by individual field offices. They investigate cases to determine if there are indications of violations of Title 18 of the United States Code (embezzlement, false reporting, or offer or acceptance of bribes). When a PWBA field office has an investigation which they believe provides good indications of such violations, they contact the Assistant United States Attorney (AUSA) who has local jurisdiction. The case is discussed with the AUSA, who either accepts the case and delegates authority to conduct the investigation, or declines the case.

On cases where delegation is received from the AUSA, PWBA completes investigative activity working in consultation with the AUSA, with the ability to obtain evidence through the use of grand jury subpoenas. Such investigations ultimately result in an indictment, or a determination that further pursuit of a case is not warranted.

PROTECTING CHILDREN IN THE WORKFORCE

Question: Detected violations of the child labor provisions of the Fair Labor Standards Act have increased significantly in recent years. In 1989, the number of minors working in violation of these laws was 250 percent of the 1983 total. How does the Department explain this growth in child labor violations?

Answer: We think there are two main reasons for this trend. First, labor shortages in certain areas have made it harder for businesses to find enough adult workers and some have responded by violating child labor laws. Increased reliance on 14- and 15-year-old workers, whose employment is restricted in terms of hours, time of day, and occupations, has contributed significantly to the marked increase in child labor violations. Second, the Department has done a good job catching this trend. As your question notes, our rate of detection has more than doubled since 1983.

Question: To what extent does the Employment Standards Administration coordinate child labor enforcement efforts with State labor departments?

Answer: The Employment Standards Administration has a longstanding policy of promoting cooperative child labor enforcement activities with State agencies. In this regard, child labor agreements and memoranda of understanding are executed by the ESA regions and State agencies, usually the State Department of Labor, for the purpose of enhancing cooperation/coordination and for improving effectiveness in the administration of child labor (and other) laws for which both levels of government are responsible. There are at least 30 such agreements currently in effect; there are also numerous intergovernmental cooperative arrangements which have not been so formalized. In addition, ESA has established a clearinghouse on door-to-door sales. Information on State and Federal enforcement activities regarding door-to-door sales is published by ESA and disseminated quarterly to the State and Wage and Hour regional offices.

Question: When Federal or State inspectors find a violation under a corresponding law other than their own, do they refer the violation to the appropriate authority?

Answer: The Wage and Hour Division and a number of State agencies have a policy of referring complaints to each other in appropriate cases. In this regard, ESA, the Federal Occupational Safety and Health Administration, and the State of New York recently signed a memorandum of understanding governing concurrent Federal and State enforcement efforts, specifically in the apparel industry.

Question: To what extent does the Employment Standards Administration share information on child labor violations with State labor departments?

Answer: As specified in cooperative child labor agreements and memoranda of understanding, the Wage and Hour Division and a number of State agencies routinely exchange information on possible child labor violations, which sometimes include investigation findings. For example, the State agreement with the ESA Atlanta Regional Office provide for the exchange of information by the 15th of each month. A few State agencies also furnish Wage and Hour with information on accidents involving minors on a routine basis.

Question: To what extent is information exchanged between the Employment Standards Administration and the Occupational Safety and Health Administration regarding child employee injuries and deaths and children employed in hazardous occupations and exposed to hazardous substances? Do the agencies share information on patterns in violations and inspections?

Answer: In the past, there has been some coordination and exchange of information; however, it has not been systematic and we believe there needs to be more. To this end, I have directed the establishment of an intradepartmental child labor task force to improve coordination and enforcement, to look at ways to collect better information on child labor practices, and to review current restrictions on hazardous occupations. The task force will be chaired by the Employment Standards Administration and will include representatives of the Occupational Safety and Health Administration (OSHA) and the Bureau of Labor Statistics.

Question: Under current law, the Employment Standards Administration enforces the provisions of the Hazardous Occupations Orders which regulate the employment of minors aged 16 and 17 years of age in certain occupations. A Child Labor Advisory Committee has reviewed these orders and made recommendations for revision. What are the recommendations made by the Child Labor Advisory Committee?

Answer: The Committee has made over 30 recommendations which involve regulatory as well as policy issues. Following is a summary of the Committee's recommendations:

COMMITTEE RECOMMENDATIONS

A. Subcommittee on Child Labor Regulation No. 3

1. Issue: Whether the hours and times of work restrictions under Child Labor Regulations No. 3 should be modified.

   Recommendation: The Committee recommended retaining the current restrictions.

2. Issue: Whether Child Labor Regulation No. 3 should contain an exception for the employment of minors as batboys and batgirls.

   Recommendation: The Committee recommended that there be no expansion of the daily, weekly, or night hours for 14- and 15-year-old batboys and batgirls. The Committee also recommended that the activities of batboys be restricted to traditional duties, which include putting out and taking in field equipment, running errands, and supplying the umpire with balls. The Committee stated that nontraditional duties such as putting out tarps, cleaning and repairing equipment, cleaning the dugout or club house or lavatories would increase the minors exposure to injury.

3. Issue: Whether minors 14 and 15 years of age should be permitted to be employed in door-to-door sales.

   Recommendation: The Committee recommended prohibiting the employment of 14- and 15-year-olds in door-to-door sales.

4. Issue: Whether the child labor civil money penalty assessment formula should be modified.

   Recommendation: The Committee recommended modifying the formula for assessing penalties.

5. Issue: Whether a procedure should be established to permit the appeal of adverse ALJ decisions and whether negotiations of CMP amounts between the Wage and Hour Division and employers should be limited.

   Recommendation: The Committee recommended that the Regulations be amended to provide for an appeal of ALJ decisions and the negotiations of civil money penalty amounts between the Wage and Hour Division and employers be limited.

6. Issue: Whether the $1,000 statutory maximum limit on child labor civil money penalties should be increased.

   Recommendation: The Committee recommended a review of the $1,000 limit.

7. Issue: Whether the Wage and Hour Division should establish a system for collecting data on injury statistics.

   Recommendation: The Committee recommended that the Wage and Hour Division establish a system for collecting data on injury statistics.

8. Issue: Whether the occupation of cooking and baking should be permitted for 14- and 15-year-olds.

   Recommendation: The Committee drafted specific language which would change the regulations to prohibit all cooking and baking. The Subcommittee also recommended that no 14- or 15 year-old should cook or bake in retail food service establishments.

B. Subcommittee on Hazardous Occupations Order No. 10 (HO 10) Occupations Involving Slaughtering, Meat Packing or Processing or Rendering

1. Issue: Whether HO 10 should be clarified to include restaurants and fast-food establishments.

   Recommendation: The Committee recommended that HO 10 be clarified to include restaurants and fast-food establishments.

2. Issue: Whether other power-driven meat-processing machines, such as bacon slicing machines which were excluded in the original Order, should be included in the list of prohibited machines contained in the HO.

   Recommendation: The Committee recommended that bacon slicing machines be included in the list of prohibited machines.

3. Issue: Whether HO 10 prohibitions should apply to machines regardless of use.

   Recommendation: The Committee recommended HO 10 be clarified so that particularly hazardous machines would be prohibited for use by 16- and 17-year-old minors regardless of use.

4. Issue: Whether a definition should be added to HO 10 to clarify that retail/wholesale or service establishments include restaurants, fast-food and other food service establishments.

   Recommendation: The Committee recommended that a definition of "retail" be added to HO 10 to clarify that restaurants and fast-food establishments are covered.

5. Issue: Whether 16- and 17-year-olds should be permitted to clean disassembled equipment covered under HO 10.

   Recommendation: The Committee recommended prohibiting 16- and 17-year-olds from cleaning equipment that is covered by HO 10.

6. Issue: Whether the title of HO 10 should be changed.

   Recommendation: The Committee recommended adding "Occupations in the operation of power-driven meat-processing machines" to the title of HO 10.

7. Issue: Whether an additional HO should be developed which would apply to food processing in other industries.

   Recommendation: The Committee recommended that the Department consider an additional HO for application to food processing in other industries.

8. Issue: Whether the regulations should include a definition of the term "food processing."

   Recommendation: The Committee recommended that the Administrator develop and promulgate a definition for the term "food processing."

C. Occupations of Motor Vehicle Driver and Outside Helper, 29 CFR 570.52

1. Issue: Whether the school bus driver exemption should be modified or discontinued.

   Recommendation: The Committee recommended that there be no exemption from HO 2 to allow school bus driving by 16- and 17-year-olds.

2. Issue: Clarification of the scope of the "incidental and occasional" driving exemption.

   Recommendation: The Committee recommended that the Regulations be amended to clarify that the exemption should apply to driving that is "secondary and incidental" to the minors' main occupations. "Secondary" would be 20 percent of the minor's work in a workday, not to exceed 5 percent in any work week. The Committee further recommended that secondary and incidental driving be permitted for 17-year-olds only.

3. Issue: Whether the "occasional and incidental" exemption should contain additional restrictions.

   Recommendation: The Committee recommended that there be other restrictions added to the "occasional and incidental" exemption.

4. Issue: Whether the gross vehicle weight limitation of 6,000 pounds should be modified.

   Recommendation: The Committee recommended that no modifications be made. The Committee considered increasing the limit to 8,000 or 10,000 pounds. (DOT indicates that vehicles 10,000 pounds and under are considered to be light by their standards.) It was the sense of the Committee that teen-aged drivers could more safely operate lighter weight vehicles (6,000 and under).

5. Issue: Whether the term "driver" should be redefined.

   Recommendation: The Committee recommended that there be no change in the definition of "driver."

6. Issue: Whether the term "outside helper" should be redefined.

   Recommendation: The Committee drafted a definition of the term "outside helper."

7. Issue: Whether 16- and 17-year-old minors should be permitted to be employed in pick-up and delivery services.

   Recommendation: The Committee recommended that there be no exemption to allow 16- and 17-year-olds to perform pick-up and delivery services.

8. Issue: Whether students enrolled in cooperative vocational training programs should be permitted to engage in motor vehicle driving.

   Recommendation: The Committee recommended that there be no specific exclusion for driving by students enrolled in cooperative vocational programs.

9. Issue: Whether minors under 18 years of age should be permitted to be employed in the operation of trucks on private property.

   Recommendation: The Committee recommended that this HO should be revised to specifically prohibit the operation of trucks on private property by minors under 18.

10. Issue: Whether minors should be prohibited from taxiing airplanes.

    Recommendation: The Committee recommended that 16- and 17-year-olds be prohibited from taxiing airplanes in or out of hangars.

11. Issue: Whether HO 2 should provide further clarification that the "occasional and incidental" driving exemption does not apply to motorcycles, mopeds, or similar type vehicles.

    Recommendation: The Committee recommended that a change be made to specify that the exemption for incidental and occasional driving does not apply to motorcycles, mopeds, or similar type vehicles.

D. Subcommittee on Occupations Involving Power-Driven Paper Products Machines (HO 12)

1. Issue: Whether the introductory language in HO 12 should be changed to reflect that HO 12 should apply to power-driven paper products machines regardless of the products being manufactured or processed.

   Recommendation: The Subcommittee drafted language to clarify and expand the intent of the application of HO 12.

2. Issue: Should HO 12 apply to machines such as paper compactors whether or not the paper is reprocessed or discarded as rubbish.

   Recommendation: The Subcommittee drafted a revision to the regulation defining the term "paper products machine."

3. Issue: Whether additional information is needed concerning the safety of certain power-driven paper products machines and whether they present hazards for minors.

   Recommendation: The Subcommittee recommended that the Department conduct a generic study of all equipment contained in HO 12, on products other than paper, to determine if the use by minors under 18 years of age is particularly hazardous.

E. Subcommittee on Occupations Involving Power-Driven Bakery Machines (HO 11).

1. Issue: Whether minors under 18 years of age should be allowed to operate power-driven bakery equipment.

   Recommendation: The Committee recommended that there be no exception for 16- and 17-year-old minors to operate, clean, assemble or disassemble, set up, adjust, repair, and oil any power-driven bakery machine or equipment wherever used for whatever purpose.

Question: Does the Employment Standards Administration have any plans to adopt these recommendations?

Answer: The Employment Standards Administration is acting on substantial parts of the recommendations of the Committee involving regulatory changes to Hazardous Occupations Order (HO) 10, occupations involving slaughtering, meat packing or processing, or rendering; HO 2, occupations involving motor-vehicle driving; and HO 12, occupations involving power-driven paper-products machines.

The Committee has also made recommendations on various policy issues. The Department is acting on several of these as well. For example, the Wage and Hour Division is in the process of increasing civil money penalties for child labor violations.

The Department is carefully examining all of the recommendations and is committed, by means of the intradepartmental task force already discussed, to take a fresh look at how the Department should regulate the employment of minors in potentially hazardous occupations.

BLACK LUNG MEDICAL BENEFITS

Question: Has the medical cost portion of black lung benefits continued to increase more than cash payments? What percentage of total benefits does it now represent?

Answer: In FY 1989, cash payments were 9.3 percent less, while medical payments were 9.4 percent greater, than in FY 1983. Medical costs represented 20.7 percent of total benefits costs in FY 1989, up from 12.8 percent in FY 1983. We anticipate they will be 19.6 percent of total benefits costs in FY 1991.

Medical costs have been a relatively volatile part of total black lung benefit expenditures over the past decade. These costs rose steadily through FY 1984, then stabilized and declined somewhat in FY 1985 and FY 1986, largely due to new controls implemented in the durable medical equipment (home oxygen) care area. The upward trend resumed in FY 1987, but leveled off consistent with medical price index increases in FY 1988 and FY 1989.

Medical care costs are projected to begin to decline again in FY 1990 as attrition in the number of eligible miners offsets increases in overall medical costs.

Question: Has the Department taken any new initiatives to control these costs?

Answer: Experience has indicated that the program's greatest area of vulnerability to overcharges is durable medical equipment (home oxygen) provided to beneficiaries. In addition to tightening our Certificate of Medical Necessity (CMN) procedures, the program has referred instances of possible program abuse in this area to the Office of Inspector General for investigation and has actively supported such OIG investigations. To date, indictments have been handed down and guilty pleas accepted from both a physician and officers of a medical supply company based on the submission of fraudulent CMNs.

Since October 1, 1985, Black Lung's automated Medical Bill Processing System allowed payment of only certain maximum allowable amounts for covered services. As a new initiative in FY 1990, the automated medical payment criteria are being further expanded to control maximum allowable amounts for pharmacy bills by adopting a national drug coding system. Procedures are available if a provider believes that a higher amount is appropriate under the special circumstances of the individual case or would be consistent with the prevailing rate in the community where the service was provided (725.705(c)). If an upward adjustment in the amount allowed is approved, supplemental payment is then made to the provider.

BLACK LUNG DISABILITY TRUST FUND

Question: What is your most recent estimate of when the Trust Fund will cease requiring even minimal Treasury loans to fund black lung benefit and administrative costs? If this is to occur, to what extent will it be due to: (1) increased coal tax revenues, (2) increased payments by responsible coal mine operators, or (3) decreased benefit expenses?

Answer: Our most recent projections show FY 1993 as the first year in which the Black Lung Disability Trust Fund's income from the excise tax and reimbursements will approximately balance its expenses for benefits and administrative costs (excluding interest payments on the accumulated indebtedness).

We project that Trust Fund income will increase at a rate of approximately two percent annually in the years after FY 1991. The increase is due primarily to increased coal production and, therefore, increased coal excise tax receipts. Reimbursements of interim payments from responsible coal mine operators and their insurers are expected to equal less than three percent of the Trust Fund's annual income during the same period.

We also project that Trust Fund costs for benefits and administration will begin to decline in FY 1992. Initially, that decline is projected at roughly one-half of one percent per year for FY 1992 - 1994; thereafter, it is expected to accelerate to approximately three percent annually by FY 2000 as the effect of beneficiary roll attrition increasingly offsets the expected annual upward adjustment of individual beneficiary payments rates and medical costs.

Although we now expect the Trust Fund's income to begin to equal its costs for benefits and administration beginning in FY 1993, it must be pointed out that the initial surplus is projected to be small. It will not be adequate to offset the increased costs to the Trust Fund due to the resumption of interest charges in FY 1991. According to our current projections, FY 2013 will be the first year in which the Trust Fund's revenues will exceed its expected combined charges for benefits, administration and interest. Based on these projections, current tax rates would have to be maintained at least into FY 2031 if the indebtedness accumulated prior to FY 2013 is to be systematically eliminated. Current law, however, requires that at the end of FY 2013 the excise tax rate will revert to its original 1978 level. Under that sequence of events, Trust Fund solvency cannot be projected.

Question: How has last year's Benefits Review Board Lukman decision affected handling of the black lung claims caseload and the backlog of unresolved claims?

Answer: In Lukman v. Director, OWCP (Lukman), the Benefits Review Board (BRB) interpreted a regulation issued by the Department under the Black Lung Act as giving the BRB, rather than the Office of Administrative Law Judges (OALJ), initial jurisdiction over disputed denials of refiled claims issued by the Office of Workers' Compensation. A refiled claim exists where another claim is filed by the same individual who had previously filed a claim for benefits which was denied and that denial had become final. Under the Lukman ruling, if a refiled claim is also denied, the claimant must seek review of that denial directly at the BRB, bypassing the OALJ.

During FY 1989, there were 582 Lukman cases appealed under this rule to the BRB. Prior to the reversal of the Lukman decision discussed below, the Department projected approximately 700 Lukman appeals in each of FY 1990 and FY 1991. At the beginning of FY 1990, the OALJ had about 700 cases referred to them prior to the Lukman rule.

On November 15, 1989, the Solicitor of Labor joined the claimant in argument in support of the appeal of the Lukman decision before the U.S. Court of Appeals for the Tenth Circuit. The Court reversed the BRB's ruling in a decision which was issued on February 22, 1990. The Office of the Solicitor moved the Board to implement the reversal nationwide and remand the Lukman cases currently pending on its docket to the OALJ for hearings, which the Board agreed to do in an order issued March 13, 1990.

The BRB's 1988 decision in the Lukman case has no direct effect upon the initial development and adjudication of claims for black lung benefits filed with the Division of Coal Mine Workers' Compensation. Last year, over 95 percent of those claims received an initial decision within 180 days of receipt of the claim.

Assuming the BRB remands all pending Lukman cases to the OALJ, the OALJ's workload would be expected to increase by the amounts stated above to 4,030 pending cases in FY 1990 and to 4,320 pending cases in FY 1991. No backlogs would be expected in FY 1990. A backlog of 910 cases or three month's work would be expected in FY 1991.

The BRB's pending cases would be expected to decrease by an estimated 182 cases to 6,001 cases in FY 1990 and by an estimated 546 cases to 5,175 in FY 1991. Despite these decreases, a backlog of Black Lung cases would be expected to remain, although below the total seen currently.

Question: What actions had the Department taken, while awaiting the court's response to the decision, in order to ensure that claims decisions are not unduly delayed and the backlog increased?

Answer: The Lukman ruling did not result in delays in the initial development and adjudication of refiled claims. In approximately three-fourths of such cases, no further review was sought. For those claims where review was sought, the cases are referred to the Benefits Review Board (BRB). The BRB has not deferred the processing of its Lukman cases. The Department had projected approximately 700 Lukman appeals in fiscal year 1990

The judges at the Office of Administrative Law Judges (OALJ) had been directed to decide the Lukman cases pending in their office prior to the Court of Appeals ruling of February 22, 1990. Before that directive was issued, cases at the OALJ were carefully screened to ensure that no cases were improperly delayed. Due to the 10th Circuit Court's decision, the Lukman cases pending in the BRB are to be remanded to the OALJ for hearings.

Question: Does the Administration contemplate resumption of the requirement that the Trust Fund pay interest on borrowing from the Treasury? If so, how much will the interest charges be in upcoming years?

Answer: Current law requires the resumption of interest charges on the Black Lung Disability Trust Fund's over $3 billion indebtedness in FY 1991. The FY 1991 budget proposes to resume paying interest on borrowing from the Treasury. We currently project the interest charges for FY 1991 and the next four fiscal years as follows:

FY 1991	$328 million
FY 1992	353 million
FY 1993	376 million
FY 1994	398 million
FY 1995	421 million

SEPARATE CONSTRUCTION AGENCY

Question. How would you respond to the calls from the AFL-CIO and other organizations that a new separate Occupational Safety and Health Administration for Construction is necessary?

Answer. I do not believe it is necessary to enact legislation that would establish a separate agency devoted solely to construction safety and health. The Occupational Safety and Health Act is a strong law, which provides OSHA with the necessary administrative flexibility to focus its efforts on the construction sector and other high-hazard industries.

Over the years, OSHA has emphasized aggressive enforcement in construction. More than half of OSHA's inspections are directed to construction worksites. In especially egregious circumstances, OSHA has proposed large penalties against construction employers for a variety of serious and willful violations of job safety and health standards.

We have asked the Advisory Committee on Construction Safety and Health to provide its input on ways to improve OSHA's enforcement in construction. We have asked the Advisory Committee for recommendations on how to ensure that OSHA's compliance safety and health officers are onsite during the most hazardous phases of construction, so that the agency can improve its scheduling of inspections at construction worksites. We have also asked the Committee to examine whether the time frame for reporting fatal accidents ought to be changed.

OSHA has an ambitious standards development program for construction. Since June 1988, OSHA has issued four final standards (for concrete and masonry, underground construction and tunnels, excavation work, and the use of cranes as personnel hoists) and has issued a proposed standard for lift slab construction. Work is underway on additional standards for the construction sector, including a high priority update of the agency's permissible exposure limits for air contaminants to be published this summer, lockout/tagout, steel erection, stairways and ladders, fall protection systems, and scaffolds.

I recently announced plans for a number of additional activities to substantially increase OSHA's efforts for construction safety and health. Among these is a plan to reorganize the functions of OSHA's Office of Construction, Maritime and Health Engineering Support to enable that office to focus on construction more effectively and with greater expertise. The newly constituted unit will be able to have an expanded staff, containing twelve new construction professionals. These construction experts will work closely with our standards office to develop rules that are tailored to meet the specific needs of the construction industry. OSHA also will establish a separate branch of construction training at OSHA's

Training Institute near Chicago to emphasize premium training for agency compliance officers. We hope to have these changes in place in time to take action on the receipt of various recommendations of the Advisory Committee on Construction Safety and Health.

AIDS AMONG THE HEALTH CARE COMMUNITY

Question. To what extent has work-related AIDS been documented among the health care community, and to what extent do you inspect health care facilities?

Answer. The Centers for Disease Control (CDC) estimates that there are between 1 million and 1.5 million HIV-infected persons in the U.S. While the exact number of infections is unknown, the CDC reported the number of adults with AIDS to be 78,312 as of November 4, 1988. Occupational information is available for 61,929 of the cases, and of these, 3,182 or 5.1% are health care workers. This proportion is similar to the proportion of the labor force employed in the health care field.

Occupational transmission of HIV has been documented in health care workers. Twenty-five cases of HIV infection worldwide associated with occupational exposure are summarized in the preamble to OSHA's Proposed Rule on Occupational Exposure to Bloodborne Pathogens. These cases represent a spectrum of healthcare personnel including, among others, nurses, laboratory workers and physicians. In 16 of these cases, exposure to the blood of HIV-infected individuals occurred by needle-stick. Two infections were believed to have resulted from cuts with sharp, HIV-contaminated objects. In seven cases, exposure occurred via mucous membrane or non-intact skin. In addition to these cases, as of September 1988, there were 44 healthcare workers with AIDS for whom no risk factors have been identified after thorough investigation. Since individuals who are infected with HIV may not show symptoms for a long time, we do not have an accurate assessment of how many individuals have been infected as a result of occupational exposure. However, we believe that it is considerably more than the 25 documented cases.

In FY 1988, OSHA conducted 193 inspections for bloodborne hazards. Eighty-five of these inspections were planned and the rest resulted mostly from formal complaints to OSHA regarding working conditions. These inspections resulted in citations for 425 violations, almost half of which were cited as "serious" violations.

In FY 1989, OSHA performed 471 inspection, of which 224 were programmed. These inspections resulted in over 2000 violations; again half of these were citations for "serious" violations. In FY 1990, OSHA plans to conduct 225 bloodborne disease inspections; in addition to which, of course, OSHA will continue to respond to formal complaints as in the past.

EGREGIOUS CASES

Question. OSHA has received a lot of publicity recently about megafines levied against large corporations for violation of OSHA standards. Of those megafines that are levied, what is the actual proportion that is collected, on average? What is the comparable proportion of other (non-megafine) fines collected as compared with fines assessed?

Answer. OSHA has been reviewing its settlement policy regarding egregious cases following concerns about seemingly large reductions in proposed penalties. That review led to modifications which should improve these settlements. First, the use of corporate-wide settlements in these cases has the advantage of compelling employers to correct violations promptly, extending the effect of a single inspection to additional facilities that were not inspected, and reducing the amount of time and resources spent in litigation. It is important to note that most corporate-wide settlement agreements commit the employer to provide worker safety and health protections beyond those required by OSHA standards. A second change is a concerted effort to achieve a higher level of dollar settlements. It is anticipated that our strong emphasis in this area will result in a greater collection rate of proposed egregious penalties which will more favorably compare to the rate for non-egregious.

FY 1989 non-egregious case remittances were $17,275,371 of $24,785,749 initially assessed. Of the 36 egregious cases closed as of February 7, 1990, $2,683,867 of $8,126,882 initially assessed had been remitted.

PLANS FOR OSHA

Question. What are the most important new directions you plan for OSHA in the next year?

Answer. In addition to the emphasis on construction we will be looking at a number of areas for job safety and health improvements in the coming decade.

In the enforcement area, we will be examining the entire issue of penalties for OSHA violations and will be consulting with the Solicitor of Labor and the Department of Justice concerning criminal prosecutions. OSHA also will be working with the Bureau of Labor Statistics to improve the recordkeeping systems so that OSHA can better target its resources to high-hazard areas.

Ergonomics will be a major OSHA focus in the coming years. Already 50 percent or more of workers' compensation claims in some industries involve ergonomic disorders, primarily back injuries and upper extremity cumulative trauma disorders. This number is expected to increase as the workforce ages. I am especially pleased that OSHA will soon launch its first national emphasis program on reducing ergonomic hazards--this one initially targeting the "red meat" industry.

In the standards area, we are moving swiftly to develop a proposal for a motor vehicle safety standard to address the appalling number of worker deaths and injuries attributable to on-the-road crashes. OSHA estimates that effective driver training coupled with a requirement that everyone in the vehicle use seat belts can cut on-the-job fatalities and injuries by 30 percent or more.

We expect to issue a final standard for the protection of workers from the hazards of AIDS and Hepatitis B viruses. This would be the first agency standard to protect American workers from biological hazards, and would protect more than 5 million workers in health care workplaces, law enforcement, fire and rescue, correctional facilities, research laboratories, blood banks and the funeral industry.

I have asked OSHA to work with the U.S. Department of Agriculture in reaching out to States, land grant universities, Farm Bureaus, Granges, 4-H clubs and others such as the National Safety Council in furthering agriculture safety education. According to the latest statistics of the National Safety Council, agriculture has the highest death rate of any major industry--greater than mining or construction.

We are particularly concerned about ways we can improve safety and health in the petrochemical industry. We have awarded a grant to the John Gray Institute to conduct a national study of safety and health issues as they relate to contractor and company employees in selected petrochemical industries. The results of this study should provide a sound basis for the best approach that employers should take in protecting workers at petrochemical plants where contractors are used. The results of this study will add to our understanding of the risks faced by workers at petrochemical plants.

REVISION OF OSHA ACT

Question. There have been calls to rewrite OSHA in the past few years. One problem is the difficulty in issuing new standards. How do you feel about an OSHA rewrite? What do you see as the major strengths and weaknesses of the existing law at this time?

Answer. The OSHA law is a well written piece of legislation. It provides the agency head with a great deal of flexibility on how to administer the Act and the American worker with a great deal of protection. In particular, the various sections of the legislation fit together well so that worker coverage is comprehensive. Workers have the right to complain to the agency and to ask for a worksite inspection, which provides employers a good incentive to comply with standards on a voluntary basis. In addition, the Act allows individual states, if they so choose, to operate their own OSHA programs, and since states are required to fund up to 50% of the program, this feature provides for more resources directed toward workplace problems than could otherwise be committed by a stand-alone federal program.

With regard to the difficulty in issuing standards, improvements are being made by moving away from regulations that are substance-specific, and moving toward standards that are generic in nature, that is, those that address a whole group of hazards. A good example is OSHA's recently completed Permissible Exposure Limit (PEL) project, which updated exposure levels for more than 400 hazardous substances in one rulemaking. Other examples are OSHA's current plans for a Process Management Standard for Hazardous Chemicals, and a Motor Vehicle Safety Standard, both of which will address groups of hazards, and be far more effective in protecting workers than a hazard-by-hazard approach. This more generic approach is being carried out within the existing legislative framework, and, to date, we see no reason to make any modifications.

OSHA is currently undertaking a number of significant policy review task forces and is seeking the advice of its Advisory Committees with regard to administrative and policy issues. OSHA will review the recommendations and implement those which we believe will enhance worker safety and health. If after a review of the policy recommendations we believe it is necessary to seek legislative amendments, we would transmit those to you.

OSHA STATE PLANS

Question. State plans have been problematical with OSHA for years. State plan programs may look good on paper and be less effective in reality. What are you doing to strengthen the State plan program?

Answer. We do not believe that this is an accurate characterization of OSHA state plans. Under the Act, states are required to administer programs that are at least as effective as the Federal program, and to progress and enhance their programs as the Federal program evolves. When Federal OSHA implements a new policy or procedure, OSHA requires the States to do likewise.

One area of state plan administration where we expect to see changes is in the assessment of penalties for flagrant violations. Heretofore, OSHA has not required the states to implement a violation-by-violation penalty assessment policy, and thus far only a few States have done so. However, with issuance of detailed Federal procedures in this area in the near future, all states will be expected to implement comparable procedures within their statutory framework. This should provide them an extremely effective enforcement tool that OSHA believes has considerably strengthened its own program.

Another action we are taking is to improve our oversight of State plan operations. Recent reports by the General Accounting Office and the Department's Office of the Inspector General have found OSHA's state plan monitoring system to be basically sound. At the same time, these reports suggested the need for improvement in certain areas. Consequently, OSHA has undertaken a comprehensive review of the system with the intention of implementing appropriate revisions by fiscal year 1992. A proposed framework for the revision has been completed. One important component of the revised monitoring system will be a requirement that states implement their own individual internal audit systems, and that the results of the states' audits be used by OSHA as one tool for monitoring state plan effectiveness. We believe that this element along with other changes OSHA will develop to strengthen its State plan oversight will result in concomitant improvements in State plan operations where necessary.

NEW SAFETY AND HEALTH STANDARDS

Question. We have seen a number of fresh approaches to new standards recently -- i.e. the attempt to issue a motor vehicle standard. Tell us something about your visions for new health and new safety standards under your administration.

Answer. Health and safety standards form the cornerstone of most activity in which OSHA is engaged. The need for reasonable, up-to-date, and comprehensive standards becomes more apparent everyday. OSHA is developing the mechanisms to produce standards which are broad in scope with far reaching implications such as motor vehicle safety and process safety management. These projects will have impacts beyond specific operations and individual employee protection. We intend to continue to explore ways to improve the rulemaking process and promulgate standards which are responsive to the changing workplaces of the 1990's.

UNDERFUNDED STATES

Question. Congress increased fiscal 1990 funding for States which conduct their own OSHA programs, with the intent of distributing additional resources to programs which have been underfunded by the current formula.

Provide for the record a list of those States (such as Iowa) which are underfunded under the current OSHA formula, and indicate how much of the increased fiscal 1990 appropriations will be distributed to them.

Answer. In accordance with the funding formula, the following 12 States have been identified as being "below parity" (or underfunded), and in Fiscal Year 1990 are eligible to receive the following increases from the additional funding provided by Congress:

Arizona	$148,163
Indiana	252,575
Iowa	118,457
Maryland	81,729
Minnesota	207,605
New Mexico	56,055
New York	178,228
North Carolina	319,896
South Carolina	156,342
Tennessee	215,299
Utah	67,046
Virginia	272,267

In addition, each of these states will receive additional funds from the distribution of built-in increases.

PENALTY ASSESSMENTS

Question. In March, 1986, OSHA revised its penalty assessment procedures to authorize assessing a penalty for each instance of serious, willful, or repeated violation. This has resulted in some assessed penalties that are substantially higher than in most cases, including some multi-million dollar assessments. What criteria are used to determine which cases will be selected for this violation-by-violation approach?

Answer. In addition to the criteria which determine willfulness of violations, several factors contribute to a decision to propose violation-by-violation penalties. Among these are previous history of similar or related violations by the employer, significance of violations in terms of overall safety and health conditions in the workplace, the extent or prevalence of violations, the reasonableness of the employer's efforts, if any, to reduce or to eliminate the violations and actual injuries of workers due to the cited conditions. If, in addition, the employer is found to be willfully and flagrantly in violation, that is, with full knowledge of the requirements but nevertheless in intentional disregard of them, the violation-by-violation procedures may be invoked. These factors are considered both in deciding whether to propose violation-by-violation penalties and in determining their dollar amounts.

Question. What information does OSHA have to show that these higher penalty assessments have a deterrent effect on employers?

Answer. While there are no general statistics to demonstrate a deterrent effect, direct statements by employers clearly indicate a willingness to abate hazards without waiting for OSHA inspections. For example, following sizeable penalties in two cases in the red meat packing industry, OSHA was approached by industry spokesmen to establish cooperative, preventive programs for the industry. Similar activity has been stimulated in related industries, such as poultry processing and in many production-line operations in other manufacturing industries. Additionally, OSHA is frequently approached for corporate-wide settlement agreements which extend the terms of abatement from large-penalty inspections to other plants under the employer's control. Finally, it should also be noted that OSHA's previous report to Congress on its Chemical Industry Special Emphasis Program (1987) documented corporate and industry reaction to large penalty cases.

Public response to these high penalty cases has been overwhelming. Media coverage has been extensive and positive. Employers have responded to this wide publicity by expressing their willingness to correct hazardous conditions before a similar penalty is imposed on them. OSHA compliance officers have found internal company documents directed to managers reminding them of this OSHA penalty policy and urging them to get their facility into compliance before an OSHA inspection occurs.

SAFETY AND HEALTH OF CONTINGENT WORKERS

Question. A concern has been raised that it may be harder to ensure the safety and health of contingent workers, and perhaps even of other workers. Do OSHA's safety and health standards apply in any different way to temporary, part-time, and subcontracted workers than to other workers?

Answer. No. The employer of the contract or part-time employees is responsible under the OSHA Act for compliance with all OSHA regulations, and for insuring that his employees have a safe and healthy place to work.

Question. How do the number of fatalities and the injury and illness rates of contingent workers compare to those of other workers?

Answer. The Annual Survey of Occupational Injuries and Illnesses, conducted by the Bureau of Labor Statistics, collects data by industry classification codes, and not by type of worker. Therefore, OSHA has no readily available statistics about the work injury experience of these types of workers. To get a more accurate picture of how contractor employees are used, OSHA is currently conducting a study of the use of contractor services in the petrochemical industry. OSHA expects the study to be completed by the end this summer, but will be receiving the preliminary findings by the end of April. We will be happy to share the results with the Committee.

Question. Who is responsible for providing the training required by safety and health standards to subcontracted employees? Are employers providing adequate training to those workers?

Answer. The subcontractor is responsible for training his own employees for all OSHA standards that apply to the type of work being done. As indirect hire employers, however, this training may not, in all cases, be properly administered. The same study that is examining contractor employees in the petrochemical industry will also collect data about the extent and adequacy of training being provided.

Question. What information is available about whether the increased use of contingent workers, especially subcontracted workers, creates additional safety and health problems in the workplace?

Answer. Very little information presently exists about the use of subcontractors, which is why OSHA, in December of 1989, commissioned the John Gray Institute, from Beaumont, Texas, to conduct a study about how the use of contract employees may effect working conditions at an entire job site. This study, when completed, may give the agency a better understanding of what action, if any, needs to be taken to better protect all employees and make the entire workplace safer.

ABATEMENT OF HAZARDS

Question. The primary goal of OSHA's enforcement program is getting employers to abate safety and health hazards identified in its inspections. What evidence does OSHA require employers to provide to show that corrective action has taken place?

Answer. Following inspection and citation, OSHA requires employers to provide evidence of abatement of each cited item. Acceptable evidence of abatement varies with the particular violation; for example, abatement of a recordkeeping violation could be verified by submission of revised Injury and Illness Logs, while requirements for new personal protective equipment could be documented through purchase orders, invoices and receipts.

Question. How often does OSHA make follow-up inspections to ensure abatement?

Answer. OSHA conducts follow-up inspections in 5.9 percent of its cases, to ensure that abatement documentation is supported by actual changes in the workplace. In only 1.3 percent of follow-up inspections are failure-to-abate violations cited.

Question. OSHA says that reducing penalties assessed for violations is an important way to encourage prompt abatement by employers. What data does OSHA have to demonstrate that its practice of routinely reducing penalty assessment results in quicker abatement?

Answer. OSHA settlements, both formal and informal, avoid the delays that would result from litigation, possibly through several levels of appeal, often taking several years to complete. Since the Occupational Safety and Health Act provides that abatement is not required while a case is under contest, elimination of hazards could be significantly delayed. Often, the only item which is contested is the size of the penalty, and in such cases, a reduction in penalty amount can lead to immediate correction of hazards and to further enforcement action if abatement is inadequate. Most importantly, as part of the settlement process OSHA always attempts, and generally obtains, safety and health commitments and protections beyond those required by OSHA standards.

WHISTLEBLOWER PROTECTION

Question: In November, 1989, a GAO survey of OSHA inspectors found that most workers' do not know the protection they have from employer reprisal and are therefore reluctant to report unsafe conditions. For example, 80 percent of the inspectors said that fewer than half of all workers are knowledgeable about their rights. Almost half the inspectors thought that workers themselves believe they would have little or no protection if they reported violations.

How can you expect workers to report hazardous conditions if they know so little about their rights and fear employer reprisal?

Answer. OSHA receives about 3,000 whistleblower complaints each year, which would indicate that there are American workers who are aware of their whistleblower rights. As a matter of policy, OSHA is concerned that all employees be informed of their rights. To this end, OSHA requires that every employer display an OSHA poster which advises employees on how to file safety and health complaints as well as advising employees of whistleblower rights. This information is further disseminated in coordination with the Department of Transportation and the Environmental Protection Agency through display posters informing employees of their whistleblower rights under the Surface Transportation Assistance Act and the Asbestos Hazard Emergency Response Act. During inspection closing conferences, employees and employers are reminded of whistleblower protections afforded by the OSH Act and there is a pamphlet for employees seeking information about whistle-blower rights. OSHA fully accepts its responsibility to advise employees of their rights and to pursue aggressively any case of discrimination that can be documented.

Question. What might be done to strengthen worker protections from employer reprisals against those filing OSHA complaints?

Answer. My views on this question are contained in an August 14, 1989, letter to Senator Metzenbaum regarding S. 436, the "Employee Health and Safety Whistleblower Protection Act." In it, I outlined my support for certain provisions of the bill including extending the statute of limitations period to 180 days for filing a complaint, providing DOL with explicit subpoena power to support its investigative responsibilities, more precise definitions of protected activity and clear-cut guidelines for refusals to work.

Question. For example shouldn't workers be given longer than 30 days to file complaints, and be re-instated in their jobs during lengthy litigation?

Answer. As I indicated, I am supporting recommendations to extend the statute of limitations for filing complaints to 180 days. Reinstatement prior to a full adjudicatory process is inappropriate in my view. While I believe inclusion of such a provision in a statute of general application is not supportable, I do support inclusion in the Surface Transportation Assistance Act and the Mine Safety and Health Act statutes administered by the Department for more heavily regulated industries.

TARGETED PROGRAM INITIATIVE

Question. You have requested an additional 34 staff for the Occupational Safety and Health Administration (OSHA) to implement a new targeted program initiative to focus on significant workplace problems. I understand that one such workforce problem this new program would focus on is the meat packing industry. We have heard about the very repetitive nature of many tasks in the meat packing industry leads to disabilities. What other industries will this program focus on?

Answer. OSHA is implementing a special emphasis program in the "red meat" industry. Its hazards are well-documented, and our inspection experience in the industry indicates that many ergonomics-related hazards there can be reduced or eliminated using available knowledge, equipment and techniques.

In the course of implementing this special emphasis program, OSHA will train staff, develop procedures and prepare guidelines which will be applicable to similar problems in other industries. OSHA plans to equip its staff with adequate skills and knowledge to conduct ergonomics inspections not only in meat processing operations, but in any other type of workplace. We believe that by integrating this capacity into the existing OSHA structure, ergonomics problems will be addressed in a wider variety of industries and workplaces than would be the case if we depended entirely upon industry-specific special emphasis programs.

Question. What type of remedies do you expect OSHA to recommend for the meat packing industry?

Answer. In general terms, OSHA will recommend feasible engineering controls and administrative controls where appropriate. Ergonomics problems, like most other safety and health problems, are most effectively and efficiently treated through design of appropriate work stations, tools and processes, and through routine maintenance of tools and equipment. In the short run, however, administrative controls, such as job enlargement or job rotation, may be necessary, especially where factors such as force, repetition or awkward postures cannot be completely eliminated through engineering methods.

Ergonomics hazards may also be reduced through appropriate training of managers, supervisors and workers, through sound preventive health care and through conservative medical management of injured workers.

All of these measures will be recommended for use by meat packers.

NEW MINING TECHNOLOGY

Question. How has new mining technology in the last few years changed the need for standards enforcement? For example, it is possible that mining machines with water sprayers have significantly reduced the need for close attention to violation of permissible dust levels.

Answer. New mining technology has not changed the need for standards enforcement but to some extent it does alter the emphasis of enforcement strategy. Often, new technology either introduces different hazards or shifts the relative importance of hazards within a mine. For example, the increase in the substitution of diesel-powered equipment for electric equipment in underground coal mines has increased the potential health risk to miners from diesel exhaust as well as increased the risk of fires and explosions from diesel fuel. At the same time, however, the risk of electrocution and the risk of fires and explosions from electrical failures is correspondingly reduced. Consequently, MSHA follows a continuous process of evaluating the potential new hazards or changes in hazards resulting from new technology and only allowing that technology to be used when these new or changed hazards are adequately addressed. With respect to permissible dust levels, although water sprayers have reduced dust levels, there is still the need for close attention to violations of permissible dust levels to assure that all hazardous conditions are corrected.

In coal mining, there have been a number of advances in mining technology in the last few years that influence standards enforcement. Better methods of ventilation, water spray application and equipment design have had a positive impact on standards compliance in the majority of underground mining operations. However, there has been a concurrent increase in production capabilities which continue the potential for compliance problems in the areas of respirable dust levels, electrical safety, roof control, fire detection and prevention and effective ventilation of mined-out areas. All of these areas continue to require enforcement attention.

In metal and nonmetal mining, new mining technology has reduced potential hazards in some areas, and, therefore, lessened the need for standards enforcement; but in other areas, it has intensified this need. For instance, new technology has been developed recently to enable granite producers to replace hand-held channel burners with alternative equipment, such as diamond wire saws and hydraulically operated slot drills, producing significantly less dust and noise. On the other hand, because of its faster turning radius, the articulating front-end loader has increased the potential for overturning and also injury to persons in the immediate vicinity of its operation.

Other examples could be cited on the impact of new mining technology on health and safety in the mining industry. The level of enforcement sophistication must keep pace with all technological advances.

ENFORCEMENT

Question. What areas of mine safety and health enforcement are most in need of your agency's attention right now?

Answer. Over the years major improvements have occurred in the area of safety in our nation's mining industry. There have also been major improvements in health by reducing the exposure to respirable dust and excessive noise. Nevertheless, in both coal mining and metal and nonmetal mining, occupational health problems continue to be a major concern with Agency efforts directed at revising the air quality and noise standards and developing new hazard communication and confined space standards. In the 1990's in coal mining, focus will also be directed to the areas of roof control, mine ventilation, clean-up and rock dusting, electrical safety, haulage and machinery accidents and diesel emissions.

CIVIL PENALTIES

Question. Increasing civil penalties for violations of health and safety regulations has received some congressional consideration lately. To what extent can or should an increase in civil penalties be levied administratively in the absence of congressional legislation?

Answer. The Mine Safety and Health Act provides for a maximum civil penalty of $10,000 for each violation and $1,000 a day for failure to abate. Based on the criteria contained in the Mine Safety and Health Act, MSHA has established procedures, in 30 CFR Part 100, for determining the amount of the penalty for a violation. Under current procedures, except in special circumstances, most assessments fall below the statutory maximums for all categories of penalties. As part of the President's Regulatory Program, MSHA is reviewing its existing civil penalty procedures to determine if changes are needed to adjust the penalty structure. Such changes could effectively increase penalties above the amounts being currently levied and could be accomplished administratively.

SAFETY AND HEALTH STANDARDS

Question. What is the current thrust of some of the new mine safety and health standards being developed this year?

Answer. The current thrust of most of the new and revised mine safety and health standards being developed this year is to address the health hazards associated with mining and to update the standards to reflect advances in mining technology. Specifically, MSHA will issue a new proposed rule concerning hazard communication in mining operations. MSHA will also complete public hearings on its revisions to its Air Quality standards. In addition, MSHA is developing standards to address the hazards associated with the use of diesel equipment in underground coal mines. The Agency's electrical and ventilation standards address technological changes in mining; for example, longwall mining and computer generated atmospheric monitoring systems. Although the Agency is emphasizing health hazards and new technology, we are continuing to address safety hazards in mining. MSHA is revising several important safety standards with the goal of developing more protective, performance-oriented standards that are clear and enforceable. Some examples of these standards being developed are: the revisions to the metal and nonmetal explosive standard and the safety standards for the use of diesel-powered equipment in underground coal mines.

FATALITIES

Question. What are the five major causes of fatalities in the mining industry, and how can MSHA put more emphasis on reducing fatalities in these areas?

Answer. Over the past twelve years the major causes of fatalities in coal mining have been roof falls, haulage, machinery, electrical, and ignitions/explosions of gas or dust in that order. These same areas were the major causes of fatalities in 1989, although in a slightly different order.

The five major causes of fatalities in the metal and nonmetal mining industry are powered haulage, machinery, slips and falls, electricity and falling and sliding of materials.

Prevention of these accidents is the Agency's top priority. Field enforcement activities through the inspectorate focus on standards compliance in these areas through regular and spot inspections. In addition, programs to prevent fatalities by targeting their root causes, such as the Roof Evaluation Accident Prevention Program, and to prevent recurring violations which may lead to serious accidents, such as the Repeat Violation Reduction Program, are developed and implemented. In addition, MSHA has developed its regulatory agenda with this accident data in mind.

In addition to continued strong enforcement of standards, the safety awareness of mine employees must be increased. Familiarity with the mining environment can lead to reduced vigilance, increasing the likelihood of accidents and injuries. Training and safety awareness is critical in addressing the problem. This can be done through mandatory training programs, special hazard alerts, and, above all, greater interest and participation in safety programs by mine management.

INJURIES

Question. What are the major causes of lost workday injuries in mining, and what standards can MSHA focus on to reduce such injuries?

Answer. The major causes of lost workday injuries in coal mining in 1989 were handling materials, slips and falls, machinery and haulage.

The major causes of lost workday injuries in the metal and nonmetal mining industry are handling materials, slips and falls, machinery, hand tools and powered haulage.

Handling materials and slips and falls account for the majority of these injuries. Prevention of these accidents through standards enforcement is difficult. While general "housekeeping" standards have some bearing on the prevention of slips and falls, both categories of injuries are most effectively addressed, in our view, by selection of proper equipment for the mining conditions and increased safety awareness by both management and labor.

Work-Force Statistics

Question. A new report of the Joint Economic Committee seems to indicate that statistical programs of the Federal government have been allowed to deteriorate in the last decade. The accuracy of data published by the Bureau of Labor Statistics impacts on hundreds of billions of Federal entitlement payments, as well as business investment decisions and union wage contracts. What is your response to criticism that labor statistics have not kept pace with rapid changes in the economy during the 1980's?

Answer. The Chairman of the Council of Economic Advisers has stated that even though the United States' statistical system is among the finest in the world, there are serious problems in the quality of the economic statistics, especially in those rapidly changing areas of the economy. In spite of continuing improvements, this has been true for labor statistics as well as for other economic indicators. The Department of Labor through the Bureau of Labor Statistics is participating in the interagency effort to improve economic data series. The FY 1991 budget request funds an immediate effort to address data deficiencies in major BLS programs. The initial focus of the BLS effort will be to address the gap in coverage or separate detail for new or growing industries in its most important indicators.

Question. Do we need to increase the sample size of the Current Population Survey to get more reliable local labor market data?

Answer. The Bureau of Labor Statistics and the Census Bureau are in the process of undertaking a major redesign of the Current Population Survey for the 1990s. This work has already been approved by the Congress for FY 1990 and beyond. As part of this redesign, means to produce expanded State data are being evaluated. Consideration is being given to an expansion of the survey from its present 60,000 households to some 100,000 households by the late 1990s, in order to produce reliable monthly labor force data for all 50 States. If found feasible, the household expansion would also assist BLS in its efforts to improve the estimation of employment and unemployment below the State level.

APPROVAL AND CERTIFICATION CENTER

Question. Please provide the funding levels as of October 1 of FY 1989, FY 1990-and FY 1991 (est.) for the Heavy Mining Equipment Testing Facility in West Virginia. Also include the number of FTE's for those same fiscal years as well as the number of people actually on board.

Answer. The funding, FTE, and on-board employment levels as of October 1 for the Approval and Certification Center in West Virginia, which is responsible for mining equipment and testing and approval, are shown below for fiscal years 1989 through 1991:

	1989	1990	1991
Funding	$4,569,000	$4,517,000	$4,652,000
FTE	93	90	85
On-board Employment	93	93	90

NATIONAL MINE HEALTH AND SAFETY ACADEMY

Question. Would you please provide the FY 1989, FY 1990 and the projected FY 1991 funding level for the National Mine Health and Safety Academy in Beckley, West Virginia. Also include the number of FTE's for those same fiscal years as well as the number of people actually on board.

Answer. The funding, FTE and on-board employment levels as of October 1 for the National Mine Health and Safety Academy are shown below for fiscal years 1989 through 1991:

	1989	1990	1991
Funding	$5,642,000	$5,626,000	$5,885,000
FTE	78	78	75
On-board Employment	85	84	78

In addition, 2 Metal and Nonmetal employees are stationed at the Academy in fiscal years 1989 through 1991. The operating budgets associated with the 2 FTE for fiscal years 1989, 1990 and 1991 are $88,000, $91,000 and $94,000 respectively.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

-ACADEMY REVENUES

Question. Provide the amount of revenues received by the Academy for the use of its facilities and for classes for FY 1989, FY 1990 and the amounts assumed for FY 1991.

Answer. The amount of revenues collected or estimated to be collected by the Academy in fiscal years 1989, 1990 and 1991 for the use of its facilities and classes are shown below:

	1989	1990	1991
Amount collected	$126,367	$105,700	$100,000

The decrease in recovered monies reflects a projected decrease in the number of non-MSHA students utilizing the Academy.

OTHER MSHA FACILITIES IN WEST VIRGINIA

Question. Provide a listing of all other MSHA facilities in West Virginia, together with their associated operating budget, FTE's and the number of people actually on board as of October 1 for FY 1989, FY 1990 and what is projected for FY 1991.

Answer. MSHA's other facilities in West Virginia are in the Coal Mine Safety and Health program. We have two district offices in West Virginia. The Morgantown District Office has a Subdistrict office in Fairmont with field offices in Clarksburg and Elkins*. A second Morgantown Subdistrict office is located outside of West Virginia in St. Clairsville, Ohio. The Mt. Hope District Office has a subdistrict collocated in Mt. Hope and subdistricts in Pineville and Madison. The Mt. Hope Subdistrict Office has field offices in Mount Carbon and Summersville, the Pineville Subdistrict Office has a field office in Princeton, and the Madison Subdistrict has a field office in Logan.

Staffing and funding are not allocated at the field office or subdistrict level, but are centrally controlled at the district level. Following are operating budget, FTE, and the number of people on board as of October 1 for the Mt. Hope District. Data for the Morgantown District is estimated to include only that portion applicable to West Virginia. Figures for FY 1989 and FY 1990 are operating plans for obligations and FTE, and actual on-board count as of October 1. FY 1991 figures are estimates for all categories.

	1989	1990	1991
Mt. Hope District			
Operating Plan	$11,629,000	$12,000,000	$12,362,000
FTE	237	242	240
On-board	260	249	240

	1989	1990	1991
Morgantown District**			
Operating Plan	$4,732,000	$5,301,000	$5,509,000
FTE	87	94	93
On-board	87	98	93

* The Elkins office is in the process of being closed. The 2 positions in Elkins are being transferred to the Clarksburg office.

** Estimated for offices located in West Virginia.

BLACK LUNG CLAIMS PROCESSING: OFFICE OF ADMINISTRATIVE LAW JUDGES

Question. Although the backlog of Black Lung claims at the Office of Administrative Law Judges has been eliminated, I am concerned that staffing reductions will go too far, and backlogs will again begin to develop. Please provide for FY's 1986-FY 1990 the number of ALJ's, attorneys, and support staff on board as of October 1 of each fiscal year (also include FTE's). Please provide the same information for your estimated FY 1991 request.

Answer. Administrative law judges, attorneys and support staff perform functions related to more than one program area. Since staff work on more than one program, staff resources for the OALJ's program areas are measured in terms of FTE rather than according to headcount. According to the records, the FTE for the Black Lung program are as follows:

	Judges	Attorneys/Others	FTE
FY 1986	50	118	168
FY 1987	56	134	190
FY 1988	64	150	214
FY 1989	55	130	185
FY 1990	40	87	127
FY 1991	31	72	103

Question. Please provide for the Office of Administrative Law Judges the funding level assumed in your budget justifications, the amounts authorized by the Congress, and the actual funding level passed through to the Office of Administrative Law Judges for FY's 1986-FY 1990. Provide this same information for your estimated FY 1991 budget request.

Answer. Funds are not separately requested, authorized, or administratively controlled for the Office of Administrative Law Judges (OALJ) and its program areas, and the data are not systematically maintained. For FY 1986 separate figures for the OALJ and the Benefits Review Board (BRB) for Black Lung are no longer readily available; the records indicate that an estimated $11,558,000 was requested for both the OALJ's and the BRB's Black Lung programs and that the estimated Congressional action and operating budgets were $15,246,000 (the FY 1987 estimated request, Congressional action, and operating budget, by comparison, was $16,387,000). The records indicate the following estimated information for FY 1987 through FY 1991 for the OALJ.

	Estimated Departmental Request	Estimated Congressional Action	Estimated Operating Budget
FY 1987	$11,279,000	$11,279,000	$11,279,000
FY 1988	$12,149,000	$13,649,000	$13,649,000
FY 1989	$12,217,000	$12,217,000	$12,217,000
FY 1990	$8,717,000	$8,717,000	$8,717,000
FY 1991	$7,263,000	--	--

Question. Are there any differences between the amounts passed through to the Office of Administrative Law Judges?

Answer. There are differences in the estimated amount of Congressional action and the estimated amount passed through to the Office of Administrative Law Judges.

Question. Please provide an explanation of the differences.

Answer. GSA space rent (SLUC) and Working Capital Fund resources were not passed through to the Office of Administrative Law Judges (OALJ) because these costs were, until this year, charged to one central Adjudication activity account for Black Lung rather than to each component of the activity. This has no effect on the OALJ's operations. All other amounts are initially passed through to the OALJ. After the initial distribution of funds, changes took place in fiscal years 1986-1989 which adjusted the final level of funds made available to the OALJ. In FY 1986 resources were subsequently decreased due to sequestration and Public Law 99-190. In FY 1987 resources were subsequently increased due to a pay supplemental and increases related to FERS. In FY 1988 resources were subsequently reduced due to the reductions in travel and transportation and FERS. In FY 1989 $255,000 was reprogrammed with Congressional notification to the Office of Solicitor to assist that agency in its Black Lung program efforts after it was determined that these funds were not required for the OALJ.

LONGSHORE CLAIMS: OFFICE OF ADMINISTRATIVE LAW JUDGES

Question. Please provide for the Office of Administrative Law Judges for FY's 1986-FY 1990 the number of ALJ's, attorneys, and support staff on board as of October 1 of each fiscal year (also include FTE's). Provide this same information for your estimated FY 1991 budget request.

Answer. As outlined above, since staff work on more than one program, staff resources for the OALJ's program areas are measured in terms of FTE rather than according to headcount. The estimated FTE for the Longshore program area are as follows:

	Judges	Attorneys/Others	FTE
FY 1986	17	37	54
FY 1987	15	34	49
FY 1988	7	18	25
FY 1989	29	56	85
FY 1990	31	56	87
FY 1991	27	54	81

Traditional program area resources have been redirected from time to time to meet Longshore program area needs. Data prior to FY 1989 have not been adjusted to reflect these changes.

Question. Please provide for the Office of Administrative Law Judges the funding level assumed in your budget justifications, the amounts authorized by the Congress, and the actual funding level passed through to the Office of Administrative Law Judges. Provide this same information for your estimated FY 1991 budget request.

Answer. Funds are not separately requested, authorized, or administratively controlled for the Office of Administrative Law Judges (OALJ) and its program areas, and the data are not systematically maintained. Estimates of FY 1986-FY 1991 general fund data (prorated on the ratio of OALJ Longshore FTE to total Adjudication general fund FTE) and estimates of FY 1987-FY 1991 general fund data (prorated on the ratio of OALJ Longshore FTE to total OALJ general fund FTE) are as follows (FY 1989 and FY 1990 estimated data are comparative):

	Estimated Departmental Request	Estimated Congressional Action	Estimated Operating Budget
FY 1986	$2,989,000	$3,096,000	$3,096,000
FY 1987	$2,708,000	$4,208,000	$4,208,000
FY 1988	$1,994,000	$1,994,000	$1,994,000
FY 1989	$6,373,000	$6,373,000	$6,373,000
FY 1990	$6,093,000	$6,093,000	$6,093,000
FY 1991	$5,711,000	--	--

Traditional program area resources have been redirected from time to time to meet Longshore program area needs. Data prior to FY 1989 have not been adjusted to reflect these changes.

Question. Are there any differences between the amounts passed through to the Office of Administrative Law Judges?

Answer. There are differences in the estimated amount of Congressional action and the estimated amount passed through to the Office of Administrative Law Judges.

Question. Please provide an explanation of the differences.

Answer. GSA space rent (SLUC) and Working Capital Fund resources were not passed through to the Office of Administrative Law Judges (OALJ) because these costs were, until this year, charged to one central Adjudication activity account for general funds rather than to each component of the activity. This has no effect on the OALJ's operations. As outlined earlier, all other amounts are initial passed through to the OALJ. After the initial distribution of funds, changes took place in fiscal years 1986-1989 which adjusted the final level of funds available to the OALJ. In FY 1986 resources were subsequently decreased due to sequestration and Public Law 99-190. In FY 1987 resources were subsequently increased due to a pay supplemental and increases related to FERS. In FY 1988 resources were subsequently reduced due to the reductions in travel and transportation and FERS.

In FY 1989, after it was determined that the funds were not required for the OALJ, $474,000 in general funds was available due to the late passage of the supplemental and was reprogrammed after Congressional notification to the Office of Solicitor (SOL) to assist the SOL in meeting its personnel compensation and benefits and non-personal services needs as well as its critical litigation support efforts.

Question. Does the amount requested in your FY 1991 budget assume adjustments for cost-of-living increase?

Answer. Yes. Our request includes funding for projected cost-of-living increases for FY 1991 as outlined below.

Question. How much is the cost-of-living increase?

Answer. The Office of Administrative Law Judges (OALJ) received a 0.9 percent increase for the annualization of the FY 1990 pay raise, a 1 percent increase for within-grade and career ladder promotions, a 0.385 percent increase for an extra day of pay, a 1.3125 percent increase (or $163,000) for the general pay raise estimated for FY 1991, and $192,000 related to one-half of three-quarters of the executive pay increase estimated for FY 1991. The OALJ also received a 4 percent increase for travel, transportation, printing, other services, equipment, and supplies. FECA, GSA space rent (SLUC) and Working Capital Fund charges are fully funded in the request.

BLACK LUNG CLAIMS PROCESSING: BENEFITS REVIEW BOARD

Question. The backlogs of Black Lung appeals at the Benefits Review Board continue to rise. In every budget justification submitted for the last several years, estimates on the number of decisions have been too high. Consequently, there is no reason to expect that this year will be any different. Backlogs have not been reduced. In spite of this fact, the FY 1991 budget again proposes to reduce staffing at the Benefits Review Board. Please provide for FY's 1986-FY 1990 the number of Judges, attorneys, and support staff on board as of October 1 of each fiscal year (also include FTE's).

Answer. Since staff work on more than one program, staff resources for the BRB's program areas are measured in terms of FTE rather than according to headcount. According to the records, the estimated FTE for the Black Lung program are as follows:

	Judges	Attorneys/Others	FTE Ceiling
FY 1986	7	118	125
FY 1987	7	127	134
FY 1988	7	134	141
FY 1989	7	134	141
FY 1990	7	141	148

Question. Please provide for the Benefits Review Board for FY's 1986-FY 1990 together with the funding level assumed in your budget justifications, the amounts authorized by the Congress, and the actual funding level passed through to the Benefits Review Board.

Answer. Funds are not separately requested, authorized, or controlled for the Benefits Review Board (BRB) and its program areas, and the data are not systematically maintained. For FY 1986 separate figures for the Office of Administrative Law Judges (OALJ) and the BRB for Black Lung are no longer readily available. The records indicate that an estimated $11,558,000 was requested for both the OALJ's and the BRB's Black Lung programs and that the estimated Congressional action and operating budgets were $15,246,000 (the FY 1987 estimated request, Congressional action, and operating budget, by comparison, was $16,387,000). The records indicate the following estimated information for FY 1987 through FY 1990 for the BRB.

	Estimated Departmental Request	Estimated Congressional Action	Estimated Operating Budget
FY 1987	$5,108,000	$5,108,000	$5,108,000
FY 1988	$6,229,000	$6,659,000	$6,659,000
FY 1989	$6,226,000	$6,685,000	$6,685,000
FY 1990	$7,097,000	$7,756,000	$7,756,000

Question. Are there any differences between the amounts passed through to the Benefits Review Board?

Answer. There are differences between the estimated Congressional action and the estimated amounts passed through to the Benefits Review Board.

Question. Please provide an explanation of the differences.

Answer. GSA space rent (SLUC) and Working Capital Fund resources were not passed through to the Benefits Review Board (BRB) because these costs were, until this year, charged to one central Adjudication activity account for Black Lung rather than to each component of the activity. This has no effect on the BRB's operations.

All other amounts are initially passed through to the BRB. After the initial distribution of funds, changes took place in fiscal years 1986 and 1988 which changed the final level of funds available to the BRB. In FY 1986 resources were subsequently decreased due to sequestration and Public Law 99-190. In FY 1987 resources were subsequently increased due to a pay supplemental and increases related to FERS. In FY 1988 resources were subsequently reduced due to the reductions in travel and transportation and FERS.

Question. According to the budget justification, a hiring freeze has been placed on the Board. Does your FY 1991 budget request include sufficient funding to allow the Board to operate at its authorized levels of 181 FTE's?

Answer. No. The budget requests 165 FTEs for the Benefits Review Board as a whole, of which about 158 are fully funded.

Question. How much additional funding is required to operate at that level?

Answer. The Benefits Review Board will need an additional $1,037,000 to fully fund 181 FTEs.

Question. Does the amount requested in your FY 1991 budget assume adjustments for cost-of-living increase?

Answer. Yes. Our request includes funding for projected cost-of-living increases for FY 1991, as indicated below.

Question. How much is the cost-of-living increase?

Answer. The Benefits Review Board (BRB) received a 0.9 percent increase for the annualization of the FY 1990 pay raise, a 1 percent increase for within-grade and career ladder promotions, a 0.385 percent increase for an extra day of pay, a 1.3125 percent increase (or $92,000) for the general pay raise estimated for FY 1991, and $17,000 related to one-half of three-quarters of the executive pay increase estimated for FY 1991. The BRB also received a 4 percent increase for travel, transportation, printing, other services, equipment, and supplies. GSA space rent (SLUC) and Working Capital Fund charges are fully funded in the request.

Question. It is my understanding that the Board will be required to move to different facility in FY 91. Have funds been requested for this move for related costs, i.e., telecommunications, computer systems, networking, etc.?

Answer. No, not in this budget. It appears that the Benefits Review Board (BRB) will be required by the General Services Administration (GSA) to relocate to different facilities in FY 1991. Funds have not been requested for this move because specific information was not available to include in the FY 1991 budget process. The need for funding will be assessed as the move becomes more imminent and there are more facts at hand. Firm estimates on the costs to be incurred in FY 1991 are not yet available. As necessary, collateral costs associated with the relocation will be addressed in planning the FY 1992 budget request.

Question. What will be the projected impact of this move on the Board's production?

Answer. About an 8 percent production loss is projected for the Benefits Review Board.

QUESTIONS SUBMITTED SENATOR DANIEL INOUYE

EMPLOYMENT SERVICE AUTOMATION

Question. Related to Hawaii's labor shortage is the need to automate the U.S. Employment Service operations in Hawaii to more expeditiously match job seekers with jobs. Congress appropriated $12.5 million for Job Bank automation projects in FY 1990. Based on a U.S. Department of Labor study in 1986, Hawaii ranked near the top of all fifty States in terms of need for computerized automation to link its local offices on each of the Neighbor Islands with Honolulu for purposes of assisting in job placement state-wide. I am interested to know what types of criteria will be used in selecting the States to participate in this program?

Answer. Based on the guidance provided in the report language accompanying the Department's FY 1990 Appropriation, we are working closely with leadership of the State employment service agencies through the Interstate Conference of Employment Security Agencies, to develop a plan and the criteria for awarding these automation funds. The design for the distribution will target heavily to those States whose program operations at present are least automated. In that way we can be consistent with the expressed desire of Congress.

Question. What priority will "need" be given in this criteria?

Answer. We are looking at "needs" in terms of current State automation capability and effective ES program applications. There may be States that have effective agency-wide automated management, administrative and reporting systems but lack automation for Employment Service program "needs". These needs could be for automated job matching, applicant information files, job orders, employer occupational files, or employer employment history. Lack of automated program activities seriously hampers the utilization of the interstate and intrastate labor exchange information. These are some of the concerns that are being considered by State leadership and ETA in setting the plans for reviewing ES automation grant proposals to be submitted by States.

Question. When do you expect to begin your solicitation for State proposals, and award of the grants?

Answer. Appropriation language states that the ES automation funds are not available for obligation to States until October 1, 1990. Our timetable calls for State proposals to be submitted by mid-June, 1990, based on the announcement of the process and criteria by mid-April, 1990. Panel review and recommendations for funding will be completed by late August, 1990, allowing about 30 days to complete the grant processing, permitting the award of funds in October.

TARGETED JOBS TAX CREDIT

Question. According to GAO, the Targeted Jobs Tax Credit (TJTC) program, administered through the Employment Service, has cost an estimated $6.5 billion in lost tax revenues over the past

10 years. The program was recently extended through September 30, 1990. Has the Department of Labor assessed whether the availability of the tax credit has encouraged employers to modify their recruitment and hiring practices to give preference to applicants from the nine target groups?

Answer. We do not have information to answer this question, definitively. However, studies by the National Commission for Employment Policy and the Congressional Research Service suggest that for many employers the TJTC does not affect hiring decisions. The 1989 amendments to the TJTC program now require the employer to certify to a "good faith" effort to determine the targeted group membership of applicants when the employer submits the request for TJTC certification. The employer request must be postmarked on or before the applicant starts to work. We believe that this requirement will encourage employers to target their employment needs towards more of the TJTC eligibles. The GAO is including employer contact and data gathering in its current study of the TJTC program. Perhaps the GAO study will provide more complete information on whether this type of change will be successful in having employers target to those who benefit from TJTC.

Question. Because many States do not require documented support for certification, how does the Department of Labor assure that certified applicants are from a TJTC targeted group?

Answer. The States to a large extent rely on each applicant to attest to their eligibility. The guidance which we provide, and which was jointly developed and cleared with the Department of Treasury, Internal Revenue Service, allows the States to accept individual attestations that the data provided is true to the best of their knowledge and belief, similar to what is done for most Federal tax programs and tax returns. Each individual is informed that proof may be required in the verification audits, and their signed statement is subject to perjury charges. Additional safeguards include the experience and knowledge of employment service interviewers serving in their own communities, the annual on-site monitoring of each State's TJTC operation by Federal representatives from ETA Regional Offices, and the quarterly required reporting to the ETA of the State's verification sampling results.

Question. To be eligible for the tax credit, workers must be placed in unsubsidized jobs. To what extent does the Department of Labor or local Employment Service offices match TJTC employer lists with employers receiving subsidies from other programs, such as JTPA, to ensure compliance with this requirement?

Answer. The State Employment Security Agencies, which are designated by law as the operators of the TJTC program, inform employers of both the advantages and limitations of the program. This includes the prohibition on claiming TJTC benefits while the employee is under a job training program with reimbursement. IRS regulations and the annual tax publications number 572 and 553 make it clear that the tax credit cannot be claimed for wages paid in part or in full during an approved job training program except for approved veterans training. IRS is responsible for enforcement of these provisions. If during an employer tax audit, the IRS requests information on either or both the tax credit or job training participation of the employer, that information must be provided. For the Department to establish a type of data system to do the suggested crosswalk would require a reporting burden on employers and State agencies which we feel is unwarranted.

PROGRAM ELIMINATIONS

Question. Once again, your budget zeros out programs the Congress has repeatedly restored: Trade Adjustment Assistance and Targeted Jobs Tax Credit. Madame Secretary, since the Department is so persistent in its efforts to abolish these programs, you must truly believe that they are not effective. For each of these programs -- which as you know are popular on the Hill -- would you tell us in some detail why the Department has once again proposed to abolish them?

Answer. We are not requesting funds for State administration of the Targeted Jobs Tax Credit program since it expires September 30, 1990. As you know, the Administration does not support extension. Given the deficit situation, the limited benefits of the program, and the loss of revenue to the Federal government, continuation of the program is not justified. No decision has been made regarding administrative funds for the program should it again be extended. However, an additional request would be unlikely, since TJTC activities can be performed by the State public employment service, using funds allotted under section 6 of the Wagner-Peyser Act.

A repeal of Trade Act benefits and training effective October 1, 1990, is being proposed. This will terminate the training program at the end of Fiscal Year 1990, and require only $40 million in 1991 benefits to those individuals collecting benefits at the end of FY 1990, as reflected in the new Worker Readjustment account. Individuals in Trade training programs at the end of the current fiscal year would continue their training. Trade Act eligible workers may be served under the EDWAA program, for which $400 million is requested under Worker Readjustment in 1991. EDWAA has broader eligibility criteria than the Trade Act, offers a comprehensive array of readjustment services, has been much less expensive, and is not burdened by the extensive administrative process and accompanying delays before a worker can be certified eligible for assistance.

ADEQUACY OF UNEMPLOYMENT INSURANCE TRUST FUND ACCOUNTS

Question. Concerns have been raised as to whether the unemployment insurance (UI) system will be able to adequately respond during a recessionary period without federal loans to the States. During prior recessions, such borrowing led to employer tax increases and benefit cuts--actions which are in direct opposition to the objectives of the program; that is, providing income replacement to unemployed workers and a stimulus to the economy. What actions has the Department of Labor taken to ensure that States build and maintain adequate balances in their UI trust fund accounts so as to avoid the need to borrow funds during a recession?

Answer. The General Accounting Office prepared a report dated September 1988 entitled "UNEMPLOYMENT INSURANCE: Trust Fund Reserves Inadequate." In responding to that report, the Department pointed out that the availability of loans has been a part of the design of the UI system for three decades and borrowing does not represent an inherent flaw. The Department provided that report to State Employment Security Agencies and asked them to review the report in light of their own UI trust fund condition. In addition, the Department has worked closely with the States on solvency issues; setting guidelines, developing benefit models, and providing technical assistance. State tax structures have evolved which tend to provide replenishment of their trust funds at high points in the business cycle. With the prolonged economic recovery experienced since the early 1980s, the States generally are much stronger today. This may not be sufficient to prevent borrowing altogether during the next recession, but borrowing should be much less than that experienced in the early 1980s.

Question. What assurance does Labor have that the UI federal accounts can adequately respond to the need for extended benefits and State loans, without having to borrow from the general fund, during a recessionary period?

Answer. Two years ago the ceilings in these two accounts were raised to limits that would meet the needs of a recessionary period similar to that experienced in the early 1980s. The ceiling in the extended benefit account was raised to three times its former level and should reach that ceiling this year. The ceiling for the loan account was increased five times over the former level and, although it grows steadily, it is not expected to reach that level through the end of our projection period which runs through 1995. However, with the improved condition of State accounts, there will be less need for large borrowing.

FUNDING SHORTFALL FOR UNEMPLOYMENT OFFICES

Question. I understand that there is a funding shortfall in the Unemployment Insurance administration in Fiscal Year 1990. The number of unemployed people filing claims for benefits has jumped significantly over the level assumed in the enacted fiscal 1990 appropriations bill, and local unemployment offices find themselves swamped trying to process mandatory benefits in a timely manner. While the overall unemployment rate has not increased, this is due to major dislocations in some areas of the country and to the fact that a higher percentage of eligible people are applying for benefits. I understand you are imposing cutbacks as high as 15 percent on many States, in an attempt to reallocate resources to the hardest hit areas of the country. With more than a third of the fiscal year already over, the impact of these cuts could be severe in the next 8 months. How much is the shortfall, and why haven't you requested a supplemental to solve the problem?

Answer. The currently projected shortfall resulting from higher workloads than originally assumed in the 1990 budget is $96 million. The 1990 UI budget request was based on an insured unemployment rate of 2.0 percent, while the latest projection is that the rate will be 2.2 percent. The total unemployment rate is also projected to increase from 5.1 percent to 5.4 percent in 1990. Additionally, the 1990 Gramm-Rudman-Hollings 1.4 percent across-the-board reduction had a further budgetary impact on States of $23.9 million. The reallocation of funds to States to meet the G-R-H reduction and to maintain reserves to meet projected workload needs resulted in an average reduction of 6.7 percent, with the highest reduction being 10.7 percent. The annual funding levels for workloads above base levels will also be reduced by 6.7 percent. This reduction is also necessary because of insufficient funds to fully meet projected workload costs.

In the April 1989 Bipartisan Budget Agreement between the President and the joint leadership of Congress, it was agreed that neither Congress nor the President would initiate requests for supplemental funding except in the case of dire emergencies. As of the end of December 1989 when the data base for the FY 1991 Budget was completed, a review of the UI administrative budget indicated that, although the shortfall of resources would present real difficulties, it was not a dire emergency.

Question. Will this result in staff layoffs and closing of local offices?

Answer. The States will experience difficulty in operating their Unemployment Insurance programs in 1990. We have been informed by several States that some staff layoffs and furloughs have occurred or are likely to occur, and that itinerant offices and satellite offices (i.e, less than full-time offices) have been closed. We are also aware that a few full-service local offices are being closed, or converted to less than full-time offices. It must be noted, however, that we have been experiencing several years of low unemployment and accompanying reductions in resources. States can no longer afford to maintain as many offices as they previously had during times of high unemployment. The opening and closing of full service offices is also a result of State decisions to consolidate employment and training services, including UI, in one location rather than having several locations serving different programs. In any event, it is our hope that the 1990 funding shortage will be short-lived and will have limited impact since the President's FY 1991 budget request includes sufficient funds to process projected claims workloads.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

BUREAU OF APPRENTICESHIP AND TRAINING

Question. Last year Congress appropriated $1.5 million for the Bureau of Apprenticeship and Training to conduct demonstration programs using the apprenticeship model that assist youth to enter the workforce. What is the status of these funds?

Answer. The Department recently announced a major initiative to explore alternatives to improve the way in which our non-college bound youth enter the workforce. This "school-to-work" initiative will explore ways in which we can help our youth see the relevance of what they learn, to motivate the discouraged to stay in school, and help them be better prepared to enter the workforce. The $1.5 million appropriation will be used to support demonstration projects that help smooth the transition from school-to-work.

Question. How many projects do you expect to support?

Answer. The Department plans to fund approximately three demonstration programs with these funds.

Question. Does the FY 1991 budget include funds to continue support of these projects?

Answer. No. These funds were appropriated in FY 1990 to provide for one-time pilot and demonstration activities.

Question. When do you expect to announce the recipients of the demonstration grants?

Answer. The Department plans to issue Requests for Proposals for award of these funds within the next 30-60 days. Final awards should be made by summer, thereby enabling projects to start by fall.

JOB CORPS

Question. What is the status of the 1989 operations shortfall?

Answer. The 1990 appropriation provided $13.5 million of operating funds to be used in Program Year 1989. This special funding, combined with administrative cost containment measures applied at the start of Program Year 1989, have resolved the shortfall.

Question. Does the FY '91 budget propose contracting out the management of the Civilian Conservation Centers?

Answer. The 1991 budget request does not propose the contracting out of the Civilian Conservation Centers.

Question. Does the Job Corps anticipate relocating any centers in FY '90? If so, which ones? Does the budget for FY '91 include funds to facilitate the relocation of additional centers? If not, how many centers does the Job Corps believe still need to be relocated?

Answer. The 1990 appropriation provides $14.8 million for Job Corps center relocations. This amount will be sufficient to relocate two or three centers to new facilities. The Department has not yet determined the specific centers to be relocated. The criteria that will be used in making these selections are listed in priority order below:

Priority 1: Unsafe or hazardous environments which cannot be remedied economically.

Criteria: Unsound structures. Asbestos or other hazardous substances.

Priority 2: Inability to renew expiring lease.

Criteria: Firm refusal from landlord to extend lease beyond current expiration date. Inappropriate to use federal leasehold condemnation proceedings.

Priority 3: Deficient learning environments.

Criteria: Inflexible space configurations. Inadequate space with no potential for expansion. Detrimental neighborhood environment. Relocation cost. Interim repair costs/alternative renovation costs. Competing community demands. Facilities in multiple locations.

In view of overall budgetary constraints, the 1991 budget request does not include further funding for center relocations.

Question. What is the status of the Job Corps II programs? Do you anticipate funding the existing Job corps II nonresidential centers in FY '90 and FY '91?

Answer. The current status of the various Job Corps II pilot efforts is as follows:

Nonresidential Centers: The two nonresidential centers in New Orleans and Philadelphia are fully operational. The formal evaluation is still underway and will be completed during Program Year 1990.

Extended Training Day: These pilot programs offer evening classes and are operating at the Westover, South Bronx and St. Louis Job Corps centers. Final assessments are forthcoming this spring and a decision will be made as to whether or not they should be continued through offsetting reductions in "regular" daytime slots at the pilot centers. The final assessment will also provide a determination as to whether there are successful techniques or approaches which could be replicated at other centers which serve nonresidential students.

Termination Alternative Program: This program offers a second chance to students who might otherwise be terminated for disciplinary reasons. The program, which is being tested at the Marsing Job Corps center, will be assessed this spring and a decision made regarding its continuation.

Orientation/Assessment Pilot: These projects tested extended orientation curricula at the Penobscot, Cascades and Columbia Basin Job Corps Centers. The pilots concluded in September 1989. While this pilot did not produce the anticipated reduction in early termination rates of students, it did provide us with some ideas about how to improve center orientation and occupational exploration programs.

Linkage Programs: The Job Corps II initiative provided impetus to increased Job Corps linkages with State and local programs. The successful linkages, which continue to increase, now include:

A small nonresidential pilot, with child care provided, started last fall in Portland, Oregon through a partnership with Portland Public Schools and the PIC.

The development and implementation of arrangements with the City of New York to provide special services to homeless youth enrolled at the Glenmont Job Corps center.

The development of arrangements with State and local agencies to accept and provide special services to foster care youth who will be enrolling at the South Bronx and Delaware Valley Job Corps centers.

With regard to continued funding for the two nonresidential centers in New Orleans and Philadelphia, Congress expressed the intent that these two be maintained over and above the normal capacity of 40,544 training slots at the 105 regular centers during Program Year 1990. It is the Department's aim to adhere to the intent of Congress. However, because of the 1990 sequestration, it will be necessary to finance these centers in Program Year 1990 through temporary enrollment and spending reductions at other centers.

Program Year 1990 is the final year of the pilot program. If the two nonresidential centers receive a favorable evaluation, they will be incorporated into the base level program through permanent, offsetting budget and slot reductions at other centers. If the evaluations are unfavorable, the centers will be closed at the end of Program Year 1990.

Question. The Committee has been interested particularly in expanding the availability of child care within the Job Corps. How will funds appropriated in FY '90 be used to expand child care? Does the budget for FY '91 include additional funds to improve Job Corps participants' access to child care?

Answer. The $1.5 million childcare enhancement requested for Program Year 1990 was approved by Congress and included in the 1990 appropriation (reduced, however, by 1.4% as a result of the sequestration). We are now developing the procedures for the distribution of these funds.

It is our intention to use the 1990 funds as well as the additional $1.5 million requested in 1991 as seed money and not as a permanent source of financing for child care services at Job Corps centers. The Job Corps funds will be used mainly to cover one-time costs for such items as equipment and remodeling. Financing for the ongoing costs of staffing and operating the childcare facilities will be sought through linkages with appropriate State and local programs.

We are confident that the funds provided in the 1990 appropriation will result in the availability of child care services at no fewer than five Job Corps centers, possibly more. The funds requested for 1991 will be used to further expand child care services to additional centers.

In addition, consistent with Congressional intent, we will be installing a residential component for single parents at the Job

Corps center in Denison, Iowa, with child care provided onsite. Plans for the new Job Corps center in Kansas also call for a residential single parent program. At both of these centers, young mothers will be referred by AFDC and will be eligible for a child care subsidy which will help defray the operating costs of the program. As we develop plans for the remaining five new Job Corps centers, on-center child care programs will also be considered in light of the suitability of the facilities and the extent to which State or local funds are available to defray the operating cost of a child care program.

As States implement JOBS programs and child care support authorized by the Family Support Act, we feel confident that more Job Corps centers will be successful in developing linkages for child care. We believe this approach will enable us to enhance services to Job Corps eligible youth who are parents without duplicating available programs and services.

Question. The FY '91 budget recommends using $3.3 million for expanded substance abuse intervention. If appropriated, how will these funds be used to expand services?

Answer. The $3.3 million being requested will provide for the expansion of the Job Corps substance intervention program (SIP) from 20 pilot sites to all Job Corps centers. SIP involves a combination of drug testing plus counseling by mental health professionals to those students who test positive.

Question. What is the current ratio of counselors to students? What level of training do substance abuse counselors have and to what extent is training available to Job Corps Center staff?

Answer. The current ratio is approximately one counselor for every 90 students. Except for the 20 Job Corps centers that are pilot testing the Substance Intervention Program, there is no formal requirement for Job Corps centers to have a fulltime substance abuse counselor on staff. However, all Job Corps centers are required to have a substance abuse program that will provide counseling to students who appear to have a substance abuse problem. Most often, this counseling is furnished by the center's part-time mental health consultant, usually a licensed psychologist.

Fulltime positions for substance abuse counselors are in place at the 20 centers where the Job Corps Substance Intervention Program (SIP) is being piloted. Those who hold these positions include licensed psychologists at 5 sites and 14 certified substance abuse specialists at 14 sites. At one of the pilot sites, the position is currently vacant and recruitment efforts are underway. Please note that the 1991 budget request includes funds to expand SIP to all Job Corps centers.

With regard to training of Job Corps staff to recognize and respond to substance abuse problems among the student population, periodic instruction is delivered by the substance abuse counselor or the mental health consultant.

Question. How pervasive is the problem of substance abuse among Job Corps participants? Has the Job Corps seen any growth in the number of corpsmembers with substance abuse problems over the past several years?

Answer. At the 20 Job Corps centers that are piloting the Substance Intervention Program, about 30% of entering students tested positive for marijuana in Program Year 1988. In that same year, 7% tested positive for cocaine, 2% for PCP and 1% for opiates. As compared to the preceding year, these numbers reflect slight increases in positive tests for marijuana and cocaine, but slight decreases for PCP and opiates. Overall, the available statistics indicate that substance abuse among incoming Job Corps students has remained at a relatively constant level over the past 3 or 4 years.

Question. In the Job Corps original budget submission to the Department, how much was requested for expanding substance abuse intervention? To what extent has the Job Corps explored accessing drug prevention and education funds from other federal programs?

Answer. The preliminary cost estimate submitted to the Department for the 1991 expansion of the Substance Intervention Program from the 20 pilot centers to all Job Corps centers was slightly higher than the $3.3 million now reflected in the budget request. A technical review by Departmental budget staff led medical budget personnel within the Office of Job Corps to reexamine and adjust the initial estimate to the $3.3 million level. We believe this request adequately reflects the cost of expanding the SIP program to all centers in 1991.

Job Corps staff have explored funding opportunities with a number of federal agencies and offices. This has resulted in access to bulk educational materials at no cost or nominal cost only. Job Corps centers have also been instructed to explore the availability of drug abuse treatment and prevention services through linkages with community resources.

QUESTIONS SUBMITTED BY SENATOR FRANK LAUTENBERG

APPROPRIATIONS COMMITTEE REPORT LANGUAGE

Question. As you know, the report accompanying the FY 90 Labor, Health and Human Services, and Education appropriations bill directs the Department of Labor to earmark up to $2.5 million within the Employment and Training Administration to develop a methodology to identify national labor shortages, publish a list of shortages within 18 months, prepare a plan to reduce the shortages identified, and conduct research to identify shortages at the regional, state, and local level. On December 18, I wrote to you to inquire about the Department's plans to implement this provision. In your January 22 response to my letter, you said that the Department is "developing and will conduct a feasibility test survey of procedures that might be used in conducting a cost effective national survey of job vacancies." How much of the $2.5

million does the Department plan to spend on the national survey feasibility test?

Answer. The budget for the pilot project is $285,000 for 1990 and $40,000 for 1991.

Question. Will the national survey feasibility test enable the Department to identify shortages at the regional, state, and local level? Why or why not? Will it enable the Department to publish the required list of shortages within 18 months?

Answer. The national survey feasibility test will not enable the Department to identify shortages at the regional, state, and local level, nor was it designed to do so. ETA is providing funds for a pilot survey by the Bureau of Labor Statistics to test the feasibility of defining and collecting data on job vacancies and, if possible, the wage or salary paid when recent openings were last filled. As currently planned, this pilot study, which will take about 18 months to complete, will build on BLS experience with similar surveys from the late 1970s and will test the use of computer-assisted telephone interviewing (CATI) as a possible way to improve data quality and to reduce cost. We will not know how feasible or cost effective this approach is until we have fielded and processed this pilot survey. The report is scheduled to be completed in April 1991. However, I should emphasize that the development of such information at the state and local level would prove prohibitively expensive and would place a heavy burden on our business respondents.

Question. What other methodologies is the Department exploring to identify shortages and comply with the committee's directive, and how much of the $2.5 million does the Department plan to spend on these other methodologies.

Answer. The Department is currently funding a study, the Feasibility of Using Labor Market Information for Alien Labor Certification Determinations, to be conducted by the University of Michigan. The objective of the study is to develop alternative methodologies using labor market information to determine shortage and surplus occupations. Among the data sources being considered in the study are alien labor certification experience with various occupations at the regional, state and local levels. This study is funded at about $130,000.

We are currently developing our complete research plans for Program Year 1990 (July '90 - June '91), utilizing FY 90 appropriated funds. Further research projects related to identifying labor shortages will be developed during our spring planning process.

Job Vacancy Study

Question. Please provide me with the Department's assessment of the successes and shortcomings of the job vacancy project that ended in 1974.

Answer. After several years of pilot work, the Bureau, in cooperation with the Employment and Training Administration (ETA), initiated the Job Opportunities and Labor Turnover survey (JOLTS) program in 1969. Although the architects of the JOLT Program envisioned quarterly estimates of job openings by occupation for the Nation, all States, and 80 SMSA's, the program developed quite slowly. By 1973, the only data published by BLS were the number and rate of job openings for the manufacturing sector for the United States (collected on the monthly Labor Turnover shuttles form), vacancy rates in manufacturing for 42 SMSA's and vacancy rates in scattered nonmanufacturing industries in 13 SMSA's.

In large measure because sufficient funds were not available in this BLS/ETA cooperative program to expand as originally planned, the JOLTS program was cancelled in 1973, four years after it began.

Question. How much money did the Department spend on this project?

Answer. Historical data indicate that the Bureau of Labor Statistics spent approximately $100,000 through the States each year on this project. Data on total Departmental costs on this effort are not available.

Question. What were the conclusions of the 1981 job survey vacancy pilot project?

Answer. The pilot tests showed that the data on job openings can be collected, but the task is difficult and costly.

Question. In light of the fact that the Department conducted a pilot project in the early 1980's why does the Department need to conduct another feasibility test now?

Answer. The Job Openings Pilot Project conducted in 1979-80 found that job vacancy data could be collected, but that the task would be difficult and costly. Since then, there have been technological advances in data collection methodology--especially the development of computer-assisted data capture techniques and the emergence of more widespread automated management information systems in industry. The new pilot project is designed to test the impact of these developments on the cost of collecting vacancy and other data that will be useful in making labor shortage determinations.

Question: I understand that from 1971 to 1978 Canada conducted a national job vacancy survey program. Please provide me with the Department's assessment of the successes and shortcomings of the Canadian program.

Answer: The Canadian job vacancy survey was an establishment survey conducted twice a month by mail and personal interviews. The sample covered 38,000 establishments in the non-agricultural sector, representing approximately 90 percent of employment in Canada. Full sample representation required six surveys; therefore, published data related to quarterly averages.

Data on vacancies for all types of employment, full-time vacancies, and long-term vacancies were reported on both the national and regional level. Statistics on full-time vacancies were also published for 70 occupational groups and about a dozen major industries.

In order to be included in the vacancy statistics, a job had to be available immediately to persons outside the firm, the job had to be vacant for the full reference day, and the employer had to have taken specific recruiting action within 4 weeks prior to the reference date.

Although the Canadian job vacancy survey provided useful indicators of quantitative change, it was discontinued after 1978 because of conceptual and reporting problems as well as budgetary reasons. Statistics Canada found that it was difficult to obtain accurate occupational reporting on vacancies. Another reporting problem was that on mail questionnaires, many small businesses simply checked the box "no vacancies" and returned the questionnaire rather than making accurate vacancy reports.

The Canadian job vacancy survey also proved to be very costly. In its last years, the annual cost was in the range of 4 to 5 million Canadian dollars.

IMMIGRATION ACT OF 1989

Question. The Immigration Act of 1989 as reported by the Senate Judiciary Committee included a provision that would have required the Department of Labor to provide would-be immigrants with detailed information about our job market. A preference would be given to those with skills that are in short supply in the United States. The Department of Labor supported this provision. Please explain how the Department would implement this section of the legislation, and the annual cost of such implementation.

Answer. This question apparently refers to the inclusion of Title V, entitled "Labor Shortage Reduction," in S. 358 as enacted by the Senate last year. The provision would require the Department, utilizing available data sources to the extent possible, to develop a methodology to estimate, on an annual basis, national shortage estimates. As part of the identification of national labor shortages, the Department would be required to develop information on: (A) the intensity of each labor shortage; (B) the supply and demand of workers in occupations affected by the shortage; (C) the industrial and geographic concentration of the shortage; and (D) wages, entry requirements and job content for occupations affected by the shortage. Further, the Department would be required, no later than 18 months after enactment of the Act and annually thereafter, to distribute the list of national labor shortages, along with the related information. This list would be distributed to a variety of parties, including students and job applicants, vocational educators, employers, labor unions, job placement agencies and appropriated Federal and State agencies.

The Department supports the general concept that we need to generate reliable data that can be used to make reasonable judgments of current occupational labor shortages as the national level. Such data would be useful in guiding our education and training activities and would provide a basis for determining what skills and how many foreign workers with those skills we need to take in through our immigration system to supplement our domestic labor force in the short-term. Even though the Department does support the concept of generating reliable data on current labor force shortages, and understands the importance of such data to those who implement immigration policy, the requirements of Title V are beyond the expertise and ability of a statistical program. This point was made very clear by BLS Commissioner Janet Norwood in her March 1, 1990 testimony before the Subcommittee on Immigration, Refugees, and International Law, Committee on the Judiciary, and the Committee on Education and Labor, U.S. House of Representatives.

Accordingly, the Department has consistently supported the provision in S. 358, Title I, Section 103, which would allow the Secretary of Labor to use general labor market information on labor shortages to make labor certification determinations, as opposed to determining the availability of U.S. workers on a job-by-job basis. Specifically, this provision states that the Secretary may use labor market information to make labor certification determinations without regard to the specific job opportunity for which certification is requested.

We have undertaken two projects that will provide us with guidance in how to best proceed in the area of making these reasonable judgments on national labor shortages. These are: (1) a study on the "Feasibility of Using Labor Market Information for Alien Labor Certification Determinations", being implemented by the University of Michigan; and (2) a pilot test of a job vacancy survey.

The Michigan study, which is due to be completed in July 1990, is focused on assessing the extent to which existing data sources can be used to identity national labor shortages. The results of this project will not only provide us with a tentative list of occupational labor shortages, but also with an assessment of what types of new data, if any, are needed to improve the accuracy of our measures of labor shortages.

The one type of new data that may be useful in making judgments on national labor shortages is job vacancy data. Accordingly, we are undertaking, through the BLS, a pilot project to test the feasibility of designing and implementing a cost effective national survey of job vacancies. This pilot project will make extensive use of a mail instrument supplemented by computer assisted telephone interviewing (CATI). WE will not know how feasible or cost effective this approach is until we have fielded and processed this pilot survey. What we do know, however, is that the development of such information at the state and local level would prove prohibitively expensive and would place a heavy burden on the business respondents to any BLS survey. The results of the pilot project will be available in a report to be issued in April 1991, which will detail survey procedures, system software development, and cost estimates for a national survey of job vacancies.

These efforts, while making significant strides forward, will not fully meet the requirements that would be imposed by Title V of the Senate immigration act. This is due in large part to methodological constraints that we face in dealing with the labor shortage issue. It is virtually impossible to define, measure and estimate the intensity of labor shortages within acceptable measures of statistical precision, primarily because there are no direct measures of this phenomenon. Our ability to measure the supply of and demand for workers in any particular occupation is and will remain exceedingly limited because of the complex nature of these relationships. Accordingly, we will never be able to measure the difference between supply and demand for a particular occupation with any degree of statistical precision. The best that we can hope to do in this area is to develop procedures and data that will allow us to make reasonable judgments as to which occupations appear to be in labor shortage at any point in time.

The annual cost of collecting the data and implementing the procedures needed to make the most reasonable judgments on occupational labor shortages is not yet known. One of the primary objectives of the Michigan study is to assess the extent to which this can be accomplished using existing data sources. Similarly, one of the primary objectives of the pilot project on job vacancies is to assess the feasibility and potential costs of collecting such data on a national basis. The completion of these two projects is essential to making an assessment of the additional resources that would be needed, if any, to begin making reasonable and defensible judgments with respect to occupational labor shortages.

OFFICE OF INSPECTOR GENERAL

STATEMENT OF RAYMOND MARIA, ACTING INSPECTOR GENERAL

ACCOMPANIED BY:

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INTRODUCTION OF ASSOCIATES

Senator HARKIN. Now we would like to call the Labor Department's Inspector General, Ray Maria.

The Inspector General's Office is responsible for recommending policies to prevent and detect fraud, waste, and abuse in Department of Labor programs, conducting audits and investigations, and reviewing legislation and regulations with the aim of making recommendations to the Department and the Congress.

We will put your entire prepared statement in the record, Mr. Maria, and ask that you give us a brief summary of your budget request.

Please proceed.

Mr. MARIA. Thank you, Mr. Chairman and members of the subcommittee.

I would like to introduce those accompanying me. To my far left is Gerald Peterson, Assistant Inspector General for the Office of Audit. To my immediate left is Mr. Jerry German, who is responsible for our administrative and executive direction function. To my immediate right is Mr. Gus Schick, who is the Assistant Inspector General for the Office of Labor Racketeering. Mr. McMullen has been previously introduced.

SUMMARY STATEMENT

Mr. Chairman, members of the subcommittee, I appreciate the opportunity to appear before you today to discuss the budget request for the Office of Inspector General for fiscal year 1991.

As you know, the Office of Inspector General carries out its function through four components: the Office of Audits; the Office of Investigations; the Office of Labor Racketeering; and the Office of Executive Direction and Management.

Our 1991 budget request for the inspector general is for $49,029,000. This represents a net increase of $1.9 million over the 1990 level.

The requested increase will cover selected mandatory increases and essentially allow the Office of Inspector General to maintain the same level of operations as in fiscal year 1990.

Not included in this increase, however, is the increase in administratively uncontrollable overtime, which will become effective in fiscal year 1991. At the current rate, it is estimated this amount will be approximately $700,000 additional.

The Office of Audit Activity totals $25,631,000, 253 FTE's. The requested amount includes $8.1 million in audit contracting funds, which, combined with audits, 253 FTE's, will enable a continued review of critical departmental programs and activities.

At this level, the Office of Audit anticipates performing 236 audits, reviews, and studies, and issuing 400 audit reports under the Single Audit Act.

The request for the Office of Investigations totals $8,180,000, 111 FTE's.

The Department of Justice Office of Legal Counsel opinion of March 1989, concerning investigative jurisdiction of the inspector general, has caused the Office of Investigations to significantly alter its planned investigative activities.

The request for the Office of Labor Racketeering totals $10,194,000, and 128 FTE's. In the labor racketeering spectrum, employee benefit plans today represent an accumulation of liquid assets, which are highly vulnerable to racketeering abuse. The organizational structure of some plans with limited internal controls and trustees with unsavory backgrounds has created a system that invites larceny.

In this regard, employee benefit plans will remain the highest priority of the Office of Labor Racketeering. Particular emphasis will be dedicated toward abuses in the delivery of medical, dental, and optical benefits.

Finally, the request for executive direction and management totals $5 million, 56 FTE's.

PREPARED STATEMENT

The Secretary of Labor has approved our proposal to establish independent legal counsel for the Office of Inspector General through the transfer of four attorneys and a clerical assistant from the Office of Solicitor to the Office of Inspector General. This transfer has been effected in fiscal year 1990. All costs and positions associated with it are being absorbed by the Office of Inspector General.

Mr. Chairman, that concludes my statement. My staff and I are available for questions.

[The statement follows:]

STATEMENT OF RAYMOND MARIA

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you to discuss the Fiscal Year 1991 budget request for the Office of Inspector General (OIG), Department of Labor (DOL).

As you know, this Office was created by the Inspector General Act of 1978. The responsibilities we are charged to carry out include: recommending policies to prevent and detect fraud, waste, and abuse in DOL activities and programs, and to increase economy and efficiency; conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; informing the Secretary of Labor and the Congress about problems and corrective actions taken in the administration of DOL activities and programs; and reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the Secretary and the Congress. Additionally, the Act assigned the DOL-OIG responsibility and authority to investigate organized crime's influence and impact upon labor organizations and upon employee pension and welfare plans, and other labor-related activities.

The OIG carries out its mission through four activities: the Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an Executive Direction and Management activity.

The 1991 Budget request of the Office of Inspector General is for $49,029,000. This represents a net increase of $1,907,000 above the 1990 level. This requested increase will cover selected mandatory increases and allow the OIG to maintain about the same level of operations as in FY 1990.

The request for the Office of Audit (OA) activity totals $25,631,000 and 253 FTEs.

In Fiscal Year 1991, OA will maintain broad audit coverage of departmental program operations and management. OA will also continue to work with departmental management on audit-identified problems to improve program operations and service delivery. Substantial FY 1991 audit coverage will be dedicated to the areas of: Departmental Financial Management (DFM); Information Technology and Resources Management (IRM); Job Training Partnership Act (JTPA); Pension and Welfare Benefits Administration (PWBA); Program Fraud Civil Remedies Act (PFCRA); and Departmental contracts and grants.

Audit coverage of other departmental programs and activities will reflect marginal changes. The requested amount includes $8.1 million in audit contracting funds which, combined with the Office of Audit's 253 FTEs, will enable continued review of critical departmental programs and activities. At this level, OA anticipates performing 236 audits, reviews, and studies, and issuing 400 audit reports under the Single Audit Act.

The request for the Office of Investigations (OI) activity totals $8,180,000 and 111 FTEs.

The Department of Justice, Office of Legal Counsel's March 9, 1989 opinion, concerning investigative jurisdiction, has caused OI to alter its planned investigative activities.

During Fiscal Year 1991, the OI will set priorities and focus its resources to address the significant problems in key Departmental programs, including JTPA, Federal Employees' Compensation Act (FECA), and ETA-Job Corps, as well as DOL employee integrity issues. Contracting and procurement issues which involve potential criminal violations within these areas will also receive priority attention. The OIG's caseload projections for 1991 are lower, consistent with these plans and an emphasis on investigations of greater complexity and returns in terms of recoveries, improvements and impact.

In addition, OI will continue to support U.S. Attorneys and other investigative and prosecutive offices that have initiated investigations of suspected criminal activity involving DOL operations or program funds.

The request for the Office of Labor Racketeering (OLR) activity totals $10,194,000 and 128 FTEs.

OLR plans and implements an enforcement program to conduct investigations which are prosecuted by the U.S. Attorneys and appropriate state prosecutors.

OLR's enforcement program is founded on the premise that traditional organized crime and "white collar" criminals have penetrated certain labor organizations and used them as vehicles to abuse affiliated employee benefit plans and create criminal monopolies in certain labor intensive industries. Among these industries are: building and construction trades, waterfront, garment, trucking, waste disposal and tourism.

A unique feature of this enforcement effort is its commitment to long-term investigative projects designed to reach beyond the most visible violations and perpetrators in order to remove the insulated persons who represent the infrastructure of corruption. Such a concentrated focus also is intended to promote a continuous law enforcement presence in historically corrupt areas in an effort to create a credible deterrent.

In the labor racketeering spectrum, employee benefit plans represent an accumulation of liquid assets highly vulnerable to racketeering abuse. The organizational structure of some plans with limited internal controls and trustees with unsavory backgrounds has created a system that invites larceny. In this regard, employee benefit plan corruption will continue to be the highest investigative priority of OLR. Particular emphasis will be directed toward abuses in the delivery of medical, dental and optical benefits.

The request for the Executive Direction and Management (EDM) activity totals $5,024,000 and 56 FTEs.

The Executive Direction and Management activity provides for overall management direction as well as policy development, planning and review, legal counsel, legislative and regulatory assessment, and resources management, as well as information and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis.

At this level, EDM will maintain its management oversight of OIG program operations and continue to provide the traditional array of administrative support activities, including coordination of our participation in activities of the President's Council on Integrity and Efficiency (PCIE).

The Secretary approved our proposal to establish independent legal counsel for the Office of Inspector General, through the transfer of four attorneys and one clerical assistant from the Office of the Solicitor to OIG. This transfer has been effected in FY 1990. All costs and positions associated with it are being absorbed by the OIG.

Mr. Chairman, that concludes my statement. I would be pleased to answer your questions.

INSPECTOR GENERAL BACKGROUND

Senator HARKIN. Thank you very much.

Dale, did you want to ask some questions about pensions? If so, why don't you go ahead first.

Senator BUMPERS. Thank you very much, Mr. Chairman.

Mr. Maria, when were you appointed Acting Inspector General?

Mr. MARIA. I became the Acting Inspector General for approximately a 2-month period during July and August 1989, during then-Inspector General Hyland's illness. Mr. Hyland then retired at the end of September 1989, and I became the Acting Inspector General. I am the Deputy Inspector General.

Senator BUMPERS. How long have you been at DOL?

Mr. MARIA. Since February 1984.

Senator BUMPERS. What did you do when you first came there?

Mr. MARIA. I was employed by Mr. Hyland as the Deputy Inspector General, with primary oversight responsibilities for the Office of Labor Racketeering.

Senator BUMPERS. Would you care to speculate on why you are not getting the permanent job? I would be interested in hearing if you would like to tell us.

Mr. MARIA. Well, this is the first official recognition that I am not getting the job. And I say that with some degree of amusement.

Senator BUMPERS. Well, let me put it this way. If you don't get it, what would you assume the reason is?

Mr. MARIA. Why have I not received it yet, you mean?

Senator BUMPERS. Yes; why have you not been appointed so far?

Mr. MARIA. Probably because I was never a serious candidate. Given the issues that confront the Office of Inspector General, I think it is difficult for a lot of people to understand that the inspector general frequently will be required to exercise a dissenting voice. I think it is fair to state that perhaps I was caught on the horns of a dilemma. I had a choice, to vigorously support and keep visible the findings and recommendations of the Office of Inspector General, or to retreat from them, substantially dilute them, in an effort to make myself a viable candidate.

I probably am not a good politician in that regard, nor do I aspire to be one.

Senator BUMPERS. So, in short, you didn't want to be a team player under the common perception around here of what it takes to be a team player?

Mr. MARIA. It's probably the second time in my career that I've been characterized as not being a team player.

My response, however, is usually I play on a team, but it's America's team, not a given political team.

Senator BUMPERS. Well, you see, the information that I have is that you are a maverick, and that you have shaken up their carbide, that you have made recommendations about the pension fund, which some people don't like, and that you think there is a lot more fraud involved in the pension fund than a lot of other people think, and that, unless they change the laws and regulations and give the inspector general more authority to delve into this more deeply, unless they are willing to do all those things, there is no point in putting more people on the payroll. Is that correct? Is that a fairly good statement? What is your reaction to that?

Senator HARKIN. Senator Bumpers, if I could just interrupt there, it seems to me that that is why we hire inspector generals.

Senator BUMPERS. That's what I thought they were supposed to do, shake people's carbide up.

Senator HARKIN. That's right. We want them to be junkyard dogs. We want them to go out there and not be beholden to us or to the Secretary. We can argue with the Secretary on that.

Senator BUMPERS. Mr. Chairman, I hate to get into something that personal. He is not without his critics who think that he is more maverick than he is shaking up carbide.

He looks OK to me. I'm just asking these questions.

Senator HARKIN. What does that phrase mean, "shaking up carbide?" I don't understand that phrase.

Senator BUMPERS. Well, a coal miner can't get his headlight to light unless he shakes up his carbide.

You never heard that expression? I'm glad I grew up poor in a rural area in Arkansas. [Laughter.]

What are your comments on that, generally, Mr. Maria?

Mr. **Maria**. In response to your characterization, I would say that is accurate.

I think one point should be made abundantly clear, Senator. The position I have taken is clearly a visible one. But I believe that is consistent with my role, and I believe that the people in the Office of Inspector General, from an investigative standpoint, as well as from an audit standpoint, have truly attempted to discharge their responsibilities, to assess vulnerabilities, and to make recommendations which, in fact, would prevent—emphasis on the word "prevent"—fraud and abuse.

I would certainly be incompetent and lacking in integrity if I did not voice those issues, if I did not give them the visibility that they deserved.

I am not doing this for personal aggrandizement. My salary remains the same.

Senator **Bumpers**. Will you stay as a Deputy Inspector General?

Mr. **Maria**. I think it is time perhaps to leave the job to someone less jaded. My plans are to explore opportunities in the private sector in the near future.

HEALTH OF PRIVATE PENSION PLANS, ERISA AND PBGC

Senator **Bumpers**. Mr. Maria, you heard my questions of Secretary Dole, in which I expressed my concern about the private pension plans, ERISA and the pension benefit guaranty fund. She alleviated my concern to some extent when she said that this fund is in wonderful shape and gave me the statistics about the number of private pension plans that are fully funded now, compared to 1984.

But I can remember when the Banking Committee heard Ed Gray and Danny Wall tell America that everything was just hunky-dory with the S&L's, when the whole thing was coming apart. I think Secretary Dole is a very wise woman and I think she is on top of this. Still, as members of this subcommittee, we have to deal with oversight responsibilities. I can't help but believe that, when you have $1.7 trillion in private pension plans out there, many of them guaranteed by the PBGC which has potentially enormous future liabilities, it certainly causes me pause.

Does it not you?

Mr. **Maria**. It gives us great concern.

If I may respond to a few points that you made, Senator.

Senator **Bumpers**. By all means. Respond in any way you want to.

Mr. **Maria**. The thing to remember is, with respect to the estimated assets in private pension plans, some $1.7 trillion, not all of those are, in fact, insured by the Federal Government, by PBGC.

Senator **Bumpers**. I understand that.

Mr. **Maria**. As a matter of fact, what we see today is a reduction in the number of defined benefit plans and an increase in the number of defined contribution plans. The defined contribution plans are not insured by the PBGC.

So that does create some sense of concern with regard to where that safety net may lie.

Another point worth mentioning is that there is a tendency to think only in terms of pension plans. But when we talk about vulnerabilities with regard to employee benefit plans, we are talking about welfare plans as well, some 5 million welfare plans, delivering such services as medical, dental, and optical—truly a large number.

Now, our critics will say our concerns are ill-founded because, really, the bulk of the pension plan assets are contained in some perhaps 12 percent of the funds. But I would respond in two ways.

I guess those who are employed by the Fortune 500 or those who are employed by the Fortune 100 will probably do pretty well. But who looks after the security and welfare of those who are employed by small to medium sized companies. When the major problem we have in this country today is spiraling health care cost, that is coupled with a situation in which the small businessman today finds it difficult, if not impossible, to provide health care coverage for his employees. I am talking about companies with fewer than 100 employees.

A vacuum has been created by the departure of the major insurance companies.

To a large degree, that vacuum is being filled by a number of fraudulent, self-funded group health plans, which are nothing more than schemes to defraud.

A recent article in the Washington Post stated there are some 31 million to 37 million people in the United States who do not have health insurance. Based upon what we have learned in the last year, I would submit that figure is woefully understated.

There are people who think they are covered by multiple employer welfare arrangements, sometimes known as multiple employer trusts. I refer to them as self-funded group health plans.

Under the best circumstances, the bulk of them are insolvent. Under far too many circumstances, they are nothing more than schemes to defraud. They do not offer the coverage which they purport to offer. They are run by racketeers. They are run by professional fraud artists.

The Department of Labor clearly has to have the capability to address the professional criminal, those whose acts, as I have said probably too many times, are malicious, are willful, are premeditated.

There is a group of people out there who commit welfare plan fraud for a business. That is how they earn their existence, their daily existence. I am not talking about technical violations of ERISA. I am not talking about perhaps an accidental or misintended violation in which a small employer suffers a severe cash flow impairment and says I can't contribute to the plan, I'm going to use those assets perhaps to keep my company afloat, and he rationalizes it by saying well, hell, if the company goes under, there is no plan anyway.

Senator HARKIN. May I interrupt here?

Senator BUMPERS. Certainly.

Senator HARKIN. You are talking about the health plans. PBGC comes under the Department of Labor, but when you are talking about fully funded health plans, that is not under your purview. Is that under the Department of Health and Human Services?

Mr. MARIA. No; the bulk of the health plans—there are some 5 million welfare plans in the United States covered by the Employee Retirement Income Security Act. I venture to say, no, I will tell you that the bulk of the health plan violations would fall under the investigative purview of the Secretary of Labor. We are addressing them today through our Office of Labor Racketeering.

What we are precluded from doing, given the burgeoning nature of this problem today, because of a Department of Justice opinion, sought by the former Solicitor of Labor, is we are precluded from taking nearly 100 special agents, people trained to identify and investigate fraud and corruption, we are precluded from utilizing those people against what I consider to be a very significant social-criminal problem.

Senator **Harkin**. Why are you precluded?

INSPECTOR GENERAL INVESTIGATIVE FUNCTIONS

Mr. **Maria**. By way of history, in 1987, the inspector general, correctly, in my opinion, assessed what his Office of Fraud Investigations was doing. He compared that to what we had learned in our Office of Labor Racketeering over some 10 years. We clearly learned, after 10 years and some 300 convictions in the area of employee benefit plan fraud, that fraud, corruption, economic extortion, embezzlement, kickbacks, were occurring not just in the union affiliated plan environment.

Those kinds of activities were not the exclusive monopoly of the Teamsters, the Laborers, and other labor organizations. We found that the racketeers who engaged in those activities were also plying their trade in single employer plans and public sector plans as well, plans with no union involvement.

Given that as a finding, the inspector general began to deploy some of his special agents from the Office of Investigations into the area of employee benefit plan abuse. Within a very short period of time, he obtained some 10 convictions, amounts involving a pension plan, $9 million, welfare plans involving fraud and embezzlement, $750,000, or $500,000, or $200,000.

Rather than applaud those investigative efforts, the former Assistant Secretary for the Pension and Welfare Benefits Administration decried them, enlisted the Solicitor of Labor to obtain from the Department of Justice an opinion which, in fact, said that the Office of Investigations was limited in its investigative jurisdiction to the extent that, if there were no Federal dollars involved, meaning Department of Labor appropriated funds, or if the issues did not involve misconduct by a Department of Labor employee, the Office of Investigations could not conduct an investigation.

The opinion, I might add—and there is a sense of irony here——

Senator **Harkin**. Can we change that legislatively?

Mr. **Maria**. Pardon?

Senator **Harkin**. We can change that legislatively, can't we?

Senator **Bumpers**. You would have to do it legislatively.

Mr. **Maria**. I have recommended that in our last semiannual report.

The Office of Legal Counsel at Justice will not recant on that opinion. I think it is an ill-conceived opinion. It is not in the public interest, and it does not enable us to realistically address corruption where it exists.

Bear in mind one thing: I am not asking for more people; I am not asking for more money. I am just asking for the opportunity to pursue significant and meaningful criminal conduct—not accidental acts, but meaningful criminal conduct.

Senator **Harkin**. I would like to ask you to work with my staff. I also serve on the Labor and Human Resources Committee that would have authorizing jurisdiction over this. I would like to have you work with us and give us some ideas on proposed changes in that legislation, and soon.

Mr. **Maria**. I really welcome your interest. I sincerely do.

Let me explain to you why that opinion exempted the Office of Labor Racketeering. In sorting away all the obfuscation and all the smoke, the Office of Labor Racketeering, that particular function, a very sensitive, sophisticated, criminal investigative undertaking, was really spawned by the Senate, by the Senate Subcommittee on Investigations. It was at their insistence that the Secretary of Labor, in 1978, first committed people full-time to addressing those particular areas of criminal abuse. Prior to that, the record is very clear that the Secretaries of Labor had abdicated their responsibilities to address labor racketeering and provide for criminal investigations.

The only reason the Department of Justice and the Department of Labor did not take issue with the Office of Labor Racketeering is because of the strong perception that it enjoys very vigorous support from this body, and for no other reason. They are unwilling to take you on.

It is unfortunate that, heretofore, the Office of Investigations and, indeed, the Office of Inspector General, has not been perceived as having the same type of support.

Senator **Bumpers**. Mr. Maria, we are going to have to go and vote in just a minute. But I want to ask you one question.

How rampant do you consider the problem of fraud in the private pension plans, and how rampant is it in these welfare and health care plans?

Maybe rampant isn't the word. But how frequently do you find it?

Mr. **Maria**. It is very difficult to quantify, primarily because we really are beginning to develop a learning curve in terms of assessing the degree of corruption that exists.

We really don't know. I don't think anyone can tell you. But I can tell you this. I think there is more than a passing degree, that there is a substantial degree of fraud, given the numbers I have often articulated, with respect to how many pension plans there are, how many welfare plans there are, and then how many people the Department of Labor has—some fewer than 300 people. The odds are very clear, in my mind, that there is little likelihood of being caught, and if you are caught by the Department of Labor, and if it continues to rely on its strategy of voluntary compliance, the worst that can happen to you is you will pay back the money.

There is not a hell of a lot of deterrent there.

Senator **Bumpers**. Well, you can refer those cases to Justice, can't you?

Justice has said in their memo that you can't pursue it with your people. But if you find a case where you suspect fraud, do you not now refer that to Justice?

Mr. **Maria**. From an Office of Labor Racketeering standpoint, we investigate those cases, and the results of our investigation are presented to the U.S. attorneys for prosecution. That's what we do. Some 65 percent of the labor racketeering effort is dedicated to benefit plan abuse.

It is indeed unfortunate that we have trained agents in the Office of Investigations, the other investigative component, who have demonstrated a capability to detect and investigate benefit plan fraud. Today they are hamstrung. They are unable to ply their trade.

Senator **Bumpers**. Mr. Chairman, I really regret that we have this dilemma on our hands here.

Mr. Maria, I will probably submit some questions to you in writing.

I think, Mr. Chairman, that it might be worth our time to bring him back, not necessarily for a special hearing, but to work him in at our next hearing for a few minutes so that we can maybe pursue this a little bit further.

That is just a suggestion. You are the chairman.

Senator **Harkin**. I will look at that suggestion. We have the Department of Health and Human Services testifying before us tomorrow, and that always takes a lot of time. We have some issues to bring up with their inspector general.

Senator **Bumpers**. When is that?

Senator **Harkin**. I believe it is tomorrow, at 10 a.m.

But what I would like to do is work with you to see if we can bring the Labor Department's inspector general up here again. I think this is a big issue, an important issue. The American Institute of Certified Public Accountants said that performing full audits would further address this issue.

Yes; it is going to cost a little bit more money. But if the problems that are out there are of the magnitude that it appears, we need those kinds of audits.

LIMITED SCOPE AUDITS

Senator **Bumpers**. I couldn't believe this rule on the so-called limited scope audits, that prevent auditors from looking at funds invested in government regulated entities. That is one of the most bizarre things I have ever seen in my life.

Mr. **Maria**. The rationale, when it was incorporated into ERISA, was, of course, that assets that were held in trust in some other regulated institution in fact would be subjected to continuous and regular audit review.

Our examination discloses that that is not the case. Those assets that are held in trust at best get sporadic review and never within the context of ERISA, what ERISA precludes and what it allows.

Senator **Bumpers**. You heard the Secretary say that they did 28,000 desk audits last year.

Senator **Harkin**. Dale, we have to vote.

Senator **Bumpers**. Just one last question.

How many desk audits should have been done to give us some degree of comfort?

Mr. **Maria**. I'm not certain.

Senator **Harkin**. Why don't you submit that.

Mr. **Maria**. Yes; I will submit that, sir.

[The information follows:]

Manual Targeting Reviews

As you noted, PWBA reports that it annually reviews some 28,000 plans selected as part of its "Manual Targeting" system. Evidently, this involves a look at a small portion of the total number of Form 5500's that are submitted to PWBA. This process would appear to be superficial at best because of the large number of plans "reviewed" and the limited number of staff years that PWBA has available to perform such reviews.

The important issue, I would submit, Senator Bumpers, is not the number of "Manual Targeting" reviews of the 5500's performed by PWBA, but rather the adequacy of PWBA's overall ERISA enforcement effort. As I have repeatedly testified over the last six months before several committees of the House and Senate, the Office of Inspector General has found that the Department of Labor's oversight of ERISA is inadequate and is based on a flawed enforcement strategy that offers little hope of detecting egregious, willful, criminal violations and even less assurance that the perpetrators will suffer serious consequences that would create a meaningful deterrent.

So in this context, I have to say that I don't know what level—if any—of such "desk audits" would give me any meaningful degree of comfort. I believe that these reviews are neither real audits nor investigations, but somewhat more superficial reviews of data provided primarily by the plan administrator, instead of on information generated by or obtained from other, more independent sources. Therefore, the usefulness and complete accuracy of this self-reported information is substantially lessened for identifying and documenting willful abuse.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Bumpers**. I will have some other questions.

Senator **Harkin**. We will work this out at another time.

[The following questions were not asked at the hearing, but were submitted to the Office for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CRIMINAL PENALTIES FOR VIOLATIONS OF WORKER SAFETY AND HEALTH STANDARDS

A March 1989 Department of Justice (DOJ) opinion sharply limited the criminal investigative scope of the Inspectors General (IGs). As a result, the Department of Labor IG initially suspended activity on approximately 1,200 criminal cases under investigation.

Question. How many of these cases pertained to worker safety and health?

Answer. The Office of Investigations (OI) suspended three cases that pertained to worker safety and health.

Question. What office, if any, has assumed responsibility for continuing these investigations?

Answer. OI prepared investigative memoranda on all three cases and referred them to the Occupational Safety and Health Administration (OSHA) for whatever action they deem appropriate.

Question. What effect will this opinion have on the Department's ability to provide an effective deterrent to abuse in the area of worker health and safety?

Answer. The Office of Inspector General believes strongly, that the Department of Justice opinion has lessened the ability of the Department to address serious criminal OSHA violations. Criminal remedies are essential to promoting compliance with the Department's laws and regulations, including those administered by OSHA. OSHA has historically relied on civil and administrative remedies to promote deterrence. Criminal sanctions, when they have been applied by OSHA, are misdemeanors - petty offenses. Civil suits and fines alone are insufficient to discourage willful disregard for the law. Prior to the DOJ opinion, OIG filled the vacuum by pursuing criminal sanctions against employers who knowingly and willfully endangered workers. By focusing on the full range of Federal felony statutes, OIG was able to reconceptualize the reckless endangerment of workers as felony violations of Title

18, U.S. Code. A case in point is U.S. v. Manix, in which a joint DOL OIG-DCIS investigation resulted in the conviction and incarceration of an individual who violated OSHA lead standard requirements and exposed his employees to high levels of lead, contaminating their blood and causing serious medical disorders. This was the first time in the 18-year history of OSHA that anyone had been sentenced on Federal charges to imprisonment, on work place safety violations. We note criminal investigations have never been a priority of the Department and the FBI has not shown any appreciable interest in seeking criminal prosecutions for work place safety violations.

JOB TRAINING AMENDMENTS

Question. What is your position on the extent to which S.543, the Job Training Partnership Act (JTPA) amendments bill, meets the recommendations for improvements that you have made as a result of your audits of the program?

Answer. Over the past 3 years, the Department of Labor, Inspector General's Office has reported a number of weaknesses in the JTPA program to both Congress and the Employment and Training Administration. Our audit work has resulted in numerous recommendations for improvement to address our concerns in four specific areas of JTPA operations:(1) Targeting, (2) Procurement, (3) Cost Accountability, and (4) Recordkeeping and Reporting.

In the IG's opinion, S.543 represents significant progress in addressing many of these reported concerns.

Targeting: The bill's increased emphasis on providing training and services to the "hard to serve individual" leaves no doubt as to Congress' original intent that JTPA is to serve the most in need.

The bill's introduction of a formalized assessment of each participant will also contribute greatly to targeting the services each participant requires.

Procurement: OIG supports the positive changes S.543 establishes in both the selection of service providers (Section 107(e)(1) and (2)) and the additional controls placed over the JTPA procurement process

(Section 164(a)(2)). However, we believe that the majority of procurement and fund protection problems we have encountered in our reviews of JTPA would be alleviated by simply requiring, legislatively, that JTPA be subject to OMB Circulars A-102 for governmental units and A-110 for non-profit entities. The vast majority of other federally funded programs are subject to the circulars and we see no sound rationale for excluding JTPA. The circulars would provide a much more effective fiscal and administrative control environment than that which the OIG has consistently observed since JTPA was implemented by OMB and the Department as a "quasi" block grant in 1982. As a counterpart to requiring adherence to the Circulars we strongly recommend that the Secretary of Labor be required to promulgate standards on the appropriateness and levels of fees or profits to be allowed under JTPA contracts for private non-profit and private-for-profit service providers.

Cost Accountability: Changes to Section 108 of the Act reinforce the requirement that all funds expended for allowable activities be charged to the appropriate cost categories except for the very limited applications under Section 141(d)(3). This change will increase the JTPA system's accountability for adhering to the Congressionally mandated limits for administrative costs as well as ensure that an increased proportion of JTPA funding is actually spent on training the disadvantaged. To further clarify the system's understanding of cost charging requirements, the language in this section should be expanded to read as follows: "All allowable costs must be charged against the three cost categories. Costs are allowable to a particular cost category to the extent that benefits are received by such category. Any single cost which is properly chargeable to more than one cost category must be allocated among the benefiting cost categories with the only exception being off-the-shelf training packages and tuition as defined in Section 141(d)(3) of the Act."

Beyond this clarification OIG would recommend furthering Congressional intent to properly account for costs by legislatively requiring that JTPA be subject to OMB Circulars A-87 and A-122. These circulars are normally made applicable in tandem with Circulars A-102 and A-110 and they establish the cost principles by which governmental units and non-profit entities accumulate reported costs.

These additions to S.543 will provide the assurance, that costs are identified within a context of commonly understood definitions which apply to the majority of federal grant programs. This change would also enable consistent reporting of costs as required by the Act.

An extremely important additional benefit of JTPA adherance to A-87 for state and local governments is that the Circular stipulates that the cost principles "are designed to provide that federally assisted programs bear their fair share of costs recognized under these principles except where restricted or prohibited by law. No provision for profit or other increment above cost is intended." (Emphasis added.) These provisions of A-87 will eliminate the now common practice in JTPA of writing profit-generating contracts between units of government, a practice OIG believes is fundamentally inappropriate and an aberration perhaps unique to JTPA.

A final recommendation to improve accountability is applicable to Section 108(b) and (c). In order to avoid carryover fund abuses and a correlated diminishing of cost limitations accountability, the limitations on cost must be applicable to funds expended by an SDA for any fiscal year, not funds available to an SDA. Underexpenditure of funds available creates the opportunity for SDA's to shift costs between cost categories to future periods. When this capability is overlaid with the 3 year funds availability in JTPA, accountability for meeting the cost limitations is eliminated and reconciliation of true costs will likely not be performed until the program expires creating extreme levels of questioned costs at closeout. [Reported by OIG to ETA July 13,1988.]

Recordkeeping/Reporting: The addition of Section 165(c)(3) in S.543 reinforces the requirement that each state, Title I Administrative entity, and each recipient monitor the performance of service providers in complying with the terms of grants, contracts, or other agreements made pursuant to the Act. OIG supports this addition.

However, beyond these requirements, there is a distinct need for the JTPA system to report information to DOL and to Congress which provides assurances that requirements of the Act are being followed. Currently, JTPA reports very little that is reflective of nationally applicable oversight information. To at least partially fulfill this need, OIG recommends that S.543 embody a requirement for the Secretary of Labor to establish uniform reporting requirements which would ensure the system's adherence to the above-referenced OMB Circulars. The circulars, in effect, provide the basis for regulatory guidance to the system and a mandated DOL reporting structure based on the circulars would improve the oversight capabilities of both the Department and Congress.

RETURN ON INVESTMENT

Question. What total savings were realized in the last fiscal year as the result of Inspector General actions?

Answer. In Fiscal Year 1989 total savings realized from **Office of Audit** actions alone were as follows:

RECOMMENDED DISALLOWED COSTS	ACTUAL DISALLOWED COSTS
$146,801,616	$119,324,191

Recommended Disallowed Costs include questioned costs, unsupported costs, costs recommended for disallowance, and recommended funds to be put to better use. Actual Disallowed Costs include disallowed costs and sustained funds put to better use.

The **Office of Investigations** alone claimed program savings and cost avoidances of $2,301,607 for FY 1989.

Although the **Office of Labor Racketeering** (OLR) cases do not result in a savings for the government, OLR criminal investigations in FY 1989, particularly in the areas of employee benefit plan abuse, have established a predicate for potential civil recoveries by plan participants or the federal government of approximately $6,997,000.

Question. Are there areas where you feel you could do a more effective job if Congress were to augment your resources?

Answer. In light of the current budget situation, this request would provide adequate funding to carry out the OIG plans for FY 1991.

Question. How does that translate into savings per each employee in the Office of Inspector General?

Answer. Savings as related to OIG budget:

Office of Audit:	$119,324,191 (Actual)
Office of Investigations:	2,301,607
Office of Labor Racketeering:	6,997,000
Total	$128,622,798
OIG FY 1989 Budget	$45,760,000

LEGAL STAFF

I note on page 32 of your budget justification material that the Office of Inspector General will have its own legal staff starting in fiscal 1990.

Question. Can you tell the Committee what the effect of this will be?

Answer. From the inception of the Inspector General in the Department of Labor, the IG counsel has been functionally and physically located in the Office of the Solicitor. The OIG's need for some arrangement that would assure dedicated staff who could operate with sufficient independence to support the IG's mission had been discussed with DOL on numerous occasions, with no real result. A review last fall disclosed that, with only one exception, every other IG office (created by the 1978 Act) had either independent counsel or a written agency agreement providing for the requisite degree of independence. A decision was made in January, 1989 by Inspector General Hyland that he would hire his own counsel, because he found the lawyers assigned to OIG were put in a position of inherent conflict on a daily basis with the Solicitor on one hand as their employer and the IG on the other as their client. The Secretary eventually approved in December, 1989, the proposal for OIG to employ independent counsel and the function was transferred to OIG in January 1990. We considered this change so significant that we agreed to absorb the costs in FY 1990. No increase is included in this budget to recover these costs in FY 1991.

ADEQUACY OF STAFF RESOURCES

You are not asking for a staff increase, and didn't have one last year, either.

SUBCOMMITTEE RECESS

Senator **Harkin**. Thank you very much. The subcommittee will stand in recess until 10 a.m., Wednesday, February 7, when we will meet in SD-192 to hear from the Department of Health and Human Services.

[Whereupon, at 12:06 p.m., Tuesday, February 6, the subcommittee recessed, to reconvene at 10 a.m., Wednesday, February 7.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

WEDNESDAY, FEBRUARY 21, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD–192, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin, Burdick, Bumpers, Specter, and Cochran.

DEPARTMENT OF EDUCATION

SECRETARY OF EDUCATION

STATEMENT OF HON. LAURO F. CAVAZOS, SECRETARY OF EDUCATION

ACCOMPANIED BY:
- CHARLES E.M. KOLB, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION
- SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICES, OFFICE OF PLANNING, BUDGET AND EVALUATION

OPENING REMARKS OF SENATOR HARKIN

Senator HARKIN. Good morning. The Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies will come to order.

This morning we will continue our series of hearings on the administration's budget request. Today we are pleased to welcome Secretary Cavazos and the other witnesses from the Department of Education.

When President Bush submitted his budget on January 29, I observed that it was a cold war budget for a peacetime era. As I review the budget requests for the agencies under this subcommittee, I feel that the President has missed a great opportunity.

The dramatic changes in Eastern Europe have made it possible for us to truly reorder our priorities for Federal spending. Unfortunately, while this consensus has come to include players on all parts of the political spectrum, it is not reflected in the administration's budget.

Under the budget presented to us, defense spending continues to grow. Defense will receive more than last year, but less than inflation. The budget calls for the Education Department to grow more than last year, but less than inflation. While Defense Secretary Cheney is calling his request a bare bones budget—a cut below last year in terms of inflation, we do not hear the administration calling the 2.1-percent increase for the Department of Education a bare bones budget—a cut below inflation.

As I observed after the State of the Union Message: the Department of Defense gets a 2-percent increase, and that is considered a cut; the Department of Education gets a 2-percent increase, and it is considered a big increase. So, if this is some kind of new math, no wonder this country is falling so far behind in science and math.

Before we adjourned at the end of the last congressional session, more than one-half of our military budget was justified on the basis of stopping a surprise Soviet attack on Western Europe. So, I think the time has come to readjust our priorities away from foreign enemies and focus on some of our enemies here at home.

First and foremost, we need to address the Federal budget deficit. We also need to address some of our internal enemies, including what you, Secretary Cavazos, have called our education deficit in this country.

I am one Senator who is not so naive to think that all of our problems in education can be solved simply by spending money. But I am also not so naive to think that some of our problems in education can be solved without money.

The administration is right when it points out that Federal education expenditures represent a very small portion of funds spent nationwide on education. However, the administration's rhetoric ignores the fact that the Federal Government is the major player in many critical areas of education. Some 75 percent of all the student aid available to college students in this country is derived from the Federal Government and in the area of rehabilitation services, it closely approaches 100 percent.

So, this no-growth budget is especially disappointing when you consider a recent report that indicates that the United States may be spending less than 13 of our major international competitors. At a time when our American school children are struggling to compete with their peers in countries like Singapore and Thailand, not to mention Germany and Japan, we should be using a part of the peace dividend to begin to address the education deficit. We cannot allow ourselves to be content with the status quo.

Now, I do not want to imply that there are not items to praise in this education budget. While the bottom line is below inflation, there are certainly some new and important initiatives for us to discuss today.

Unfortunately, almost all of the new initiatives are paid for by a dramatic reduction in guaranteed student loan costs which result from the administration's extremely rosy interest rate projections. Even if these rosy economic projections come to pass—and I do not know anyone who says that they will—I hope that we use some of these savings to boost some of those education programs where benefits have not been increased for many, many years.

I also hope and expect that as this committee develops its education plan for the coming year, we will continue to work with the administration. When all is said and done, our goals are the same:

to improve the educational performance of our children and to enhance our Nation's ability to compete.

ADDITIONAL SUBMITTED STATEMENTS

I would now leave the record open for any opening statement by Senator Specter. I would yield to my distinguished colleague from North Dakota for any opening statements he might have.

Senator BURDICK. Mr. Chairman, I ask unanimous consent that my statement be printed in the record as if read.

Senator HARKIN. Without objection, so ordered.

[The statements follow:]

STATEMENT OF SENATOR QUENTIN N. BURDICK

Secretary Cavazos, I join my colleagues in welcoming you today. I consider education our nation's most important endeavor for the future. We must ensure that our children are prepared to face the complex problems we're struggling to solve. Providing them with the necessary tools to address these concerns is what education is all about. I look forward to today's testimony.

I am disappointed in the education budget in general, although there are a few good changes. This budget looks too much like the ones we have seen in the last decade. There is a shortsighted quality to it, even a lack of imagination. We see the same proposals for program terminations that we saw ten years ago and have rejected.

The budget for education still is not sufficient even to meet the projected inflation level of 4 percent. There are substantive increases slated for a few programs, but these are at the expense of other education areas which are equally vital.

I would prefer to see the administration take a more realistic focus on education, realizing that we must make a true and substantial increase in our investment in America's future.

Let's stop wasting our time arguing over efforts to cut proven programs. Instead, let's work on changing our nation's priorities so that we are spending our money in a positive way—on programs to feed, shelter, and educate our citizens so that we can remain competitive. Let us not leave our children behind.

STATEMENT OF SENATOR THAD COCHRAN

Mr. Chairman, I am pleased to welcome Secretary Cavazos to our committee. Education holds the key to the future of our country. If we fail to provide quality education programs, not only the lives of our children but our nation's place in an increasingly competitive world economy are at risk.

The Department of Education's fiscal year 1991 budget represents an effort to target scarce resources to the areas of greatest need. It reflects a commitment to ensure that educational opportunities are made available to disadvantaged students, kindergarten through college, and adults with limited literacy skills. I am pleased to see the increases recommended for Chapter 1, Even Start, Chapter 2, Dropout Prevention, Pell Grants, aid for strengthening developing institutions including Historically Black Colleges and Universities, TRIO, Adult Education and Library Literacy programs.

The budget request also follows-up on recommendations of the nation's governors at the education summit last fall by increasing educational research and math and science education. Overall, the Department's discretionary funding of these important programs would rise 6.2 percent; the largest percent increase of any Federal agency.

President Bush has said, "education can be our most powerful economic program, our most important trade program, our most effective urban program, our best program for producing jobs and bringing people out of poverty."

I believe this, and I know Secretary Cavazos does too. I thank you for coming here before us today and I look forward to working with you and Mr. Kolb in the coming months.

OPENING REMARKS BY SECRETARY CAVAZOS

Senator **Harkin**. Mr. Secretary, again, welcome to the subcommittee. We are delighted to have you back again this year and look forward to hearing your testimony. I have read over the written testimony. It will be made a part of the record in its entirety, and I just ask you to proceed as you so desire.

Secretary **Cavazos**. Fine. Thank you very much, Mr. Chairman, members of the committee. I would like to first submit my complete statement for the record, and read, if I may, Mr. Chairman, a very brief statement.

Senator **Harkin**. Certainly.

Secretary **Cavazos**. I am pleased to appear before you today, to discuss the President's 1991 budget for the Department of Education.

This budget has particular significance on two counts. It is the first budget developed fully by President Bush's administration and is the first budget presented to the Congress as we enter a new decade.

EDUCATION SUMMIT MEETING

Last September saw an historic event in education, the convening of the Nation's Governors in Charlottesville for an education summit conference. From the summit emerged a statement reconfirming a Federal role that promotes educational opportunity for all citizens and that provides information and assistance for pursuing excellence in education. Agreement was reached on an agenda for the future: to set national goals, to seek greater flexibility and accountability in the use of Federal funds, to restructure our education system, and to report annually on the progress in achieving our goals.

Our budget builds upon this national commitment to education. By emphasizing investments in research and education reform, reforms that are sorely needed if we are to, indeed, be competitive as a nation, it is a forward-looking budget as we enter the last decade of the 20th century. And by focusing our highest priorities in both elementary and secondary education, as well as postsecondary education, we can extend our Federal resources to help States and localities make the Charlottesville commitment a reality.

FISCAL YEAR 1991 BUDGET REQUEST

Our 1991 budget for the Department totals $24.6 billion. That is an increase of over $500 million over the 1990 level. Within this total, we are proposing an overall increase of 6.2 percent in discretionary programs. For entitlement programs, the budget includes a 12.6-percent reduction due to projections of decreasing interest rates. Within the budget, we have allocated increases totaling $1.8 billion to high priority areas and new initiatives. These increases are derived from the $1.3 billion in reductions in the cost of guaranteed student loans and in lower priority programs, along with $500 million in additional funds.

About 15 percent of our budget, or $3.9 billion, will support primarily educational research, the gathering of statistics, and various educational reform and improvement activities. While this is a relatively small portion of the Department's total budget, these activities can potentially influence over $350 billion in total education spending at the Federal, State, and local level. The remaining 85 percent of our budget, some $20.7 billion, will assist the disadvantaged, the handicapped, minorities, and needy college students.

I would now like to highlight briefly for you our budget priorities.

FOSTERING EXCELLENCE AND REWARDING SUCCESS

Fostering excellence in education and rewarding successful performance are key Federal activities in the Nation's educational reform movement.

The areas of research, statistics and assessment, and education summit followup are major thrusts in our budget. They will help us to learn more about the conditions of our educational system, the achievement of our students, and strategies that work. These activities have never been more important than now as we pursue our national goals. It is these relatively small investments that can have the greatest impact on educational reform in the long run.

A number of programs, such as Presidential Merit Schools and Magnet Schools of Excellence Program, will encourage excellence and reward successful schools.

And three initiatives will supplement our existing efforts in preparing and rewarding education personnel: alternative certification programs, a principal training program, and the Presidential Awards for Excellence in Teaching Program.

REDUCING THE DROPOUT RATE

Reducing the dropout rate is another priority I have repeatedly discussed. Only 71 percent of our high school students graduate with their class. If we are to meet the challenges of the 21st century, many more of our citizens will have to attain at least a high school diploma. Our budget provides major funding increases for elementary and secondary programs to help at-risk students complete their schooling, programs such as chapter 1 grants for over 6 million disadvantaged children, and dropout prevention demonstrations to identify and disseminate the most effective strategies in bilingual education for 295,000 limited English proficient children.

PRESCHOOL EDUCATION

Another area of vital concern to us is preschool education. All students must enter school ready to learn. Our budget directs significant resources to programs that provide services to at-risk children at the preschool level. For example, we are proposing to double Even Start. This program helps the parents of disadvantaged children become full partners in the education of their children. And in the area of education for the handicapped, we will increase services for 355,000 preschool children and enhance the statewide systems that serve all infants, birth through 2 years of age, and their families.

SCIENCE AND MATHEMATICS EDUCATION

American students consistently fall behind their international peers in science and mathematics achievement. Yet these subjects are key to our Nation's productivity, economic competitiveness and future prosperity.

We are proposing a 70-percent increase for the Eisenhower Mathematics and Science Education Program to improve the preparation of teachers and raise achievement levels of American students in these subjects.

Other examples are our proposed National Science Scholars Program to encourage scientific achievement amongst high school students, and our program for graduate assistance in areas of national need to expand for fellowships in the fields of chemistry, physics, math and engineering.

ADULT LITERACY

As many as one in five American adults may be functionally illiterate at a time when employers are increasingly requiring workers with more advanced skills. Our budget helps support the national literacy effort by focusing on programs, such as adult education grants to States, to help teach basic skills to 2.4 million illiterate adults and to assist another 1 million in attaining high school equivalency. We are also seeking major increases for Literacy Training for Homeless Adults, Library Literacy Programs, and Adult Education National Programs, including the establishment of a National Adult Literacy Clearinghouse Program.

DRUG ABUSE PREVENTION

A critical first step in our fight against drug abuse is to make our children aware of the devastating effects of drugs on their lives. Thus, we are seeking increases for a variety of activities under the Drug-Free Schools and Communities Act, a key component of the administration's war on drugs.

FINANCIAL AID FOR NEEDY COLLEGE STUDENTS

Finally, in the area of postsecondary education, we will submit our proposals for reauthorization of the Higher Education Act with the 1992 President's budget next year. During the coming months, we will be reviewing public comments and developing our specific recommendations. In the meantime, our 1991 budget continues to emphasize my highest priority in this area, providing $18 billion in financial aid for some 5.9 million needy college students.

ENDOWMENT GRANTS FOR HISTORICALLY BLACK COLLEGES

We are also proposing significant increases for endowment grants to historically black colleges and universities and to other developing institutions, for academic counseling and support services for disadvantaged students, and for scholarship and fellowship programs to meet national manpower needs and increase access for disadvantaged populations, including minorities, to graduate education.

Before concluding, I would like to take 1 minute to place our Federal budget in the proper perspective.

FEDERAL PERCENTAGE OF EDUCATION SPENDING

We must keep in mind that the Department's programs account for only 6 percent of our total national expenditures for education, and appropriately so, since the primary responsibility for education lies at the State and local level. During the current year, our Nation will spend from all sources some $353 billion on education, increases of $23 billion from last year and over $61 billion, even after inflation, over the past decade.

Let me add a note of caution here. There has been some controversy regarding a recent study challenging some data that we have used to compare education spending in this country with other nations. We stand by our statement that we do spend more per student than most other industrialized countries. The important point is that such reports and subsequent technical debates over which numbers are correct serve only to deflect us from the real issue: ensuring that our education dollars are well spent. We have successfully changed the focus of the national debate on education from inputs to outputs, from resources to results. Let us not be diverted from this focus. Let us work together constructively, and let us expend our energies in a positive vein.

Thank you, Mr. Chairman, members of the committee.

[The statement follows:]

STATEMENT OF LAURO F. CAVAZOS

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the President's 1991 Budget for the Department of Education.

This budget has particular significance on two counts. It is the first budget developed fully by President Bush's Administration, and it is the first budget presented to the Congress as we enter a new decade.

Last September saw an historic event in education--the convening by the President of the Nation's Governors in Charlottesville for an Education Summit Conference--only the third time in our Nation's history that the President has called a Summit with the Governors. From the Summit emerged a statement reconfirming a Federal role that promotes educational opportunity for all our citizens and that provides information and assistance for pursuing excellence in education. Agreement was reached on an agenda for the future: to set national education goals, to seek greater flexibility and accountability in the use of Federal resources, to restructure our education system, and to report annually on the progress in achieving our goals.

Our budget builds upon this national commitment to education. By emphasizing investments in research and education reform--reforms that are sorely needed if we are to remain competitive as a Nation--it is a forward-looking budget as we enter the last decade of the 20th century.

In allocating resources, we have focused on our highest priorities--fostering excellence in education and rewarding successful performance, reducing the dropout rate, expanding preschool education, strengthening science and mathematics education, fighting adult illiteracy, and helping to provide a drug-free environment in our schools. By emphasizing these priorities, we can make significant strides toward improving the achievement of elementary and secondary school children in reading, writing, and other basic skills, and maximize our Federal resources to help States and localities make the Charlottesville commitment a reality. In postsecondary education, we are continuing our commitment to providing aid to needy college students, as well as expanding access to graduate education for disadvantaged and minority groups.

Our 1991 budget for the Department totals $24.6 billion, an increase of more than $500 million over the 1990 level. Within this total, we are proposing an overall increase of 6.2 percent in discretionary programs. For entitlement programs, the budget includes a 12.6 percent reduction due to projections of decreasing interest rates. Within the budget, we have allocated increases totaling $1.8 billion to high priority areas and new initiatives. These increases are derived from $1.3 billion in reductions in Guaranteed Student Loans and lower priority programs, along with the $500 million in additional funds.

About 15 percent of our budget, or $3.9 billion, will support primarily educational research, the gathering of statistics, and various educational reform and improvement activities. While this is a relatively small portion of the Department's total budget, these activities can potentially influence over $350 billion in total education spending at the Federal, State, and local levels. The remaining 85 percent of our budget--some $20.7 billion--will assist the disadvantaged, the handicapped, minorities, and needy college students.

I would now like to highlight for you a few examples of how our budget will address our highest priorities.

Fostering excellence in education and rewarding successful performance are key Federal activities in the Nation's education reform movement, and are a major thrust in our 1991 budget.

- For research, statistics, and assessment activities, a 28 percent increase--to almost $122 million--will help us to learn more about the condition of our education system, the achievement of our students, and strategies that work. These activities have never been more important than now, as we pursue our national goals. It is these relatively small investments that can have the greatest impact on education reform in the long run.
- We are seeking $20 million for Education Summit Follow-Up activities to carry forward the agreements reached at the Summit, such as implementing legislation to provide flexibility and enhanced accountability, and developing new measures for assessing progress toward our national goals.
- Presidential Merit Schools, funded at $225 million, will encourage and reward schools that improve student performance in basic skills, create a safe and drug-free environment, and reduce the dropout rate.
- To bring the benefits of magnet schools and enhanced educational choice within the reach of communities whether or not they qualify under the current desegregation-related program, funding for MagnetSchools of Excellence is proposed at $100 million.
- Three new initiatives focus on preparing and rewarding education personnel: $25 million for Alternative Certification programs will help States expand the pool of talent from which they draw teachers and principals, $25 million will support a Principal Training program to improve the preparation of school leaders, and $7.6 million for Presidential Awards in Education will recognize those teachers who meet the highest standards of excellence.

Reducing the dropout rate is a priority I have repeatedly discussed. Only 71 percent of our high school students graduate with their class and, despite efforts by many States, this has improved very little in recent years. If we are to meet the challenges of the 21st century, many more of our citizens will have to attain at least a high school diploma. Our budget, therefore, provides major funding increases for elementary and secondary programs to help at-risk students complete their schooling. For instance:

- Chapter 1 grants to local educational agencies totaling $5 billion, an increase of 8 percent, will provide compensatory educational services for over 6 million disadvantaged children.

- We are proposing $45 million for a new, carefully designed and structured program of Dropout Prevention Demonstrations to determine the most effective strategies to reduce school dropouts and to ensure that these strategies are identified for use by other schools around the country. Another $5 million will support research activities, including a national research center, to assist States and localities in their efforts to reduce dropouts.

- Under a $175 million Bilingual Education program, some 295,000 limited English proficient children--an increase of 41,000--will be taught English so that they can succeed in school and in society.

Another area of vital concern to us is preschool education. All students must enter school ready to learn. Thus, our 1991 budget directs significant resources to programs that provide services to at-risk children at the preschool level.

- We are proposing to double Even Start--to $48 million--to help the parents of disadvantaged children become full partners in the education of their children. Additionally, we estimate that the request for other Chapter 1 programs will direct about $387 million to almost 500,000 disadvantaged preschool children.

- In the area of education for the handicapped, Federal support will increase for 355,000 preschool children, 4,000 more than in 1990; and assistance will be increased for the statewide systems that coordinate services to all infants, birth through 2 years of age, and their families.

American students consistently fall behind their international peers in science and mathematics achievement. Yet these subjects are key to our Nation's productivity, economic competitiveness, and future prosperity. Our budget, therefore, includes major increases to address this need.

- For the Eisenhower Mathematics and Science Education program, a 70 percent increase to $230 million will help States improve the preparation of teachers and raise achievement levels of American students in these subjects.

- To encourage scientific achievement among high school students, $5 million will fund the first year costs of a National Science Scholars program under which graduating seniors will receive college scholarships to pursue science, mathematics, and engineering.

- Our request of $25.5 million, more than a 60 percent increase, for Graduate Assistance in Areas of National Need will expand support for fellowships in the fields of chemistry, physics, mathematics, and engineering.

As many as one in five American adults may be functionally illiterate, at a time when employers are increasingly requiring workers with more advanced skills. Our budget helps support the national fight against illiteracy by focusing on the Department's adult literacy programs.

- For Adult Education Grants to States, a 27 percent increase to $200 million will help States teach basic skills to 2.4 million illiterate adults and assist another one million in attaining high school equivalency.

- We are also seeking major increases for Literacy Training for Homeless Adults, Library Literacy Programs, and Adult Education National Programs, including the establishment of a National Adult Literacy Clearinghouse.

A critical first step in our fight against drug abuse is to make our children aware of the devastating effects of drugs on their lives. Thus, the Drug-Free Schools and Communities Act is a key component of the Administration's war on drugs.

- For Grants to States we are requesting $487.6 million, over an 11 percent increase, for State and local drug education programs.

- Emergency Grants, one of President Bush's original education initiatives that was enacted in 1989, will target dollars to school districts with the most severe drug problems. Funded at $25 million in each year, the program will be administered under the State grants authority in 1990 and as a national discretionary program in 1991.

- Our request of $66.1 million, an 8 percent increase, will support a variety of National Programs such as education and prevention programs for college students, five regional centers that train school teams and provide technical assistance to schools, and dissemination of audio-visual and other curricular materials to schools.

In the area of postsecondary education, the Administration will submit its proposals for reauthorization of the Higher Education Act with the 1992 President's Budget next year. During the coming months, we will be reviewing public comments and developing our specific recommendations. In the meantime, our 1991 budget continues to emphasize our highest priority in this area--providing financial aid and special services for needy college students.

- Our student aid request will continue to ensure that more than $18 billion in grants, loans, and work-study will be available to some 5.9 million college students.

- For Pell Grants, the 1991 budget includes $371 million to meet expected shortfalls in academic years 1989-90 and

1990-91, and restores eligibility for 169,000 less-than-half-time students in academic year 1991-92.

- Significant increases are proposed for endowment grants to Historically Black Colleges and Universities and to other developing institutions; for academic counseling and support services for disadvantaged students; and for scholarship and fellowship programs to meet national manpower needs and improve access for disadvantaged populations, including minorities, to graduate education.

Before concluding, I would like to take a minute to place our Federal budget in its proper perspective.

We must keep in mind that the Department's programs account for only 6 percent of our total national expenditures for education--and appropriately so, since the primary responsibility for education lies at the State and local levels. During the current school year, our Nation will spend from all sources some $353 billion on education, increases of $23 billion from last year and over $61 billion, even after inflation, over the past decade.

Let me add a note of caution here. There has been some controversy regarding a recent study challenging some data that we have used to compare education spending in this country with other nations. We stand by our statement that we do spend more per student than most other industrialized countries. The important point is that such reports--and subsequent technical debates over which numbers are more correct--serve only to deflect us from the real issue: ensuring that our education dollars are well spent. We have successfully changed the focus of the national debate on education from inputs to outputs, from resources to results. Let us not be diverted from this. Let us work together constructively, and let us expend our energies in a positive vein.

Although this is the largest Federal budget ever for education, it will not make everybody happy. I repeat what I have said many times: money alone will not solve our education problems. Other factors--more basic and more critical--can make a real difference. For example, high expectations on the part of parents and teachers for their children's and their students' achievement can make a dramatic difference. New governance structures--such as greater parental choice along with school-based management--must be tried where our traditional systems have failed. And accountability procedures must be put into place to ensure that we are getting the most for our investment. We will continue to provide national leadership in urging all partners in the education enterprise to pursue these objectives.

I will be happy to respond to your questions.

BIOGRAPHY OF LAURO F. CAVAZOS

NAME : Lauro F. Cavazos

POSITION : U.S. Secretary of Education

BIRTHPLACE
AND DATE : King Ranch, Texas, January 4, 1927

EDUCATION : Texas Tech University, 1949, B.A. in Zoology
Texas Tech University, 1951, M.A. in Zoology
Cytology)
Iowa State University, 1954, Ph.D. in Physiology

EXPERIENCE
1988-
Present : Secretary, U.S. Department of Education

1980-1988 : President, Texas Tech University and Texas Tech University Health Sciences Center
Professor of Biological Sciences, Texas Tech University
Professor of Anatomy, Texas Tech University Health Sciences Center

1973-1980 : Dean (Acting, 1973-75), Tufts University School of Medicine

1972-1973 : Associate Dean, Tufts University School of Medicine

1964-1972 : Chairman of Anatomy, Tufts University School of Medicine

1964-1980 : Professor of Anatomy, Tufts University School of Medicine

1960-1964 : Associate Professor of Anatomy, Medical College of Virginia

1956-1960 : Assistant Professor of Anatomy, Medical College of Virginia

1954-1956 : Instructor in Anatomy, Medical College of Virginia

1949-1951 : Teaching Assistant, Texas Tech University, Lubbock, Texas

1945-1946: : U.S. Army

RECENT
CHAIRMANSHIPS: Chairman, Southwest Athletic Conference Council of Presidents, 1987-88.
Chairman, Education Committee, Texas Science and Technology Council, 1984-85.

Chairman, Speaker Bill Clayton's Vital Issues Project for Higher Education in Texas, 1982-83.
Chairman, Governor's Task Force on Undocumented Mexican Workers. 1981-82.
Chairman, Accreditation Study Committee of the Association of Texas Colleges and Universities, 1981-83.
Chairman, Governor's Higher Education Effectiveness Council, 1981-82.

HONORS AND AWARDS : President's Medal for Distinguished Achievement, City College of New York, 1989.
Medal of Honor, University of California, Los Angeles, 1989.
Midby-Byron Distinguished Leader Award, University of Nevada at Reno, 1989.
Medal of Merit, Pan American University, 1988.
1988 LULAC National Hispanic Leadership Award in the field of education.
Lauro F. Cavazos Award for outstanding service to Texas Tech University designated by Ex-Students Association, October 1987.
Named as one of "100 Influential Hispanics" by Hispanic Business magazine, August 1987, Vol. 9, No. 8.
Hispanic Hall of Fame Award, League of United Latin American Citizens, 1987.
Distinguished Service Medal, Uniformed Services University for the Health Sciences, 1985.
Outstanding Leadership Award in the Field of Education, presented by President Ronald Reagan, 1985.
Hispanic Educator of the Year, Texas Chapter of the League of United Latin American Citizens, 1983.
Education and Teaching Awards--from graduating medical class on five occasions.
Alumni Achievement Award, Iowa State University, 1979.
Distinguished Alumnus, Texas Tech University, 1977.
Honorary Member, Tufts Medical Alumni Association, 1976.

FEDERAL VERSUS STATE AND LOCAL EDUCATION FUNDING

Senator HARKIN. Thank you, Mr. Secretary, for a fine statement. We will start with one of the last parts of your statement where you say that "the Department's programs account for only 6 percent of total national expenditures for education." You also say, "appropriately so, since the primary responsibility for education lies at the State and local levels."

What was that percentage 10 years ago?

Secretary CAVAZOS. It was probably about 9 percent, I believe.

Senator HARKIN. I heard it was around 10 percent.

Secretary CAVAZOS. Around 9 percent, yes.

Senator **Harkin**. So, it is falling. Over the last 10 years, the amount of money the Federal Government is putting into education in terms of the percent of the total pot, has dropped by 30 percent.

Secretary **Cavazos**. Yes, sir.

Senator **Harkin**. Is that the direction that we should be going?

Secretary **Cavazos**. I think at the present time we are at the right point. I didn't say in terms of direction. I believe that we are at a very good balance at this time because, as you pointed out, sir, in your statement, it is not merely a matter of dollars, but it is how those dollars are being expended.

FEDERAL ROLE IN EDUCATION

And we really feel that our major role is not so much the absolute funding of education by massive amounts, but more in the area of research, support of those that are really in need, the disadvantaged, the handicapped. College aid, of course, remains a major part of our program. We really see our role in a manner different from what one would expect for the Department.

But actually, in current dollars, what has happened is we have seen a tremendous increase in this Nation since 1980 at all levels and mainly, of course, from the State and local levels. I really believe here when you start looking at it, when you start thinking about it—$61 billion, which is adjusted for inflation between 1980 and the current time, has come into the system, and roughly $41 billion of that is in elementary and secondary education.

And yet, we continue to falter, and we continue to have problems in competing as a nation against other nations in terms of our student ability in certain very, very critical areas. We see little change in reading skills across that decade, as well as comprehension and writing skills. I reported the other day on geography. We are in trouble there, and I can almost predict what the data are going to look like when we get the mathematics and history statistics in front of us.

So, what I am getting at is our role is a different role, not a fiscal role as such—we have some responsibility there. We will maintain that—but one of really trying to reorder the entire educational system.

FEDERAL ROLE IN ELEMENTARY AND SECONDARY EDUCATION

Senator **Harkin**. Well, I have to take issue with that. It just seems to me that an ill-educated child in Mississippi, or an ill-educated child in North Dakota, or an ill-educated child in Texas is still a citizen of the United States of America. And that ill-educated adult is not going to just stay in North Dakota or Texas or Mississippi or Iowa, he is going to move around the United States. He is going to go where the work is. And it is going to be a drag on the whole society, on our whole country.

I have looked in vain, Mr. Secretary, for years now to find where it is written in stone, where it is in the Bible, where it is written anywhere that education should be primarily funded from property taxes. Is it in the Constitution? It is nowhere. But it is the system that has evolved in this country.

Now, to say that education is the primary responsibility of State and local governments, fine. I do not mind that. But to the extent that we are becoming more and more a unified Nation, distances have declined. Businesses can locate anywhere because of rapid communication and rapid transportation. This is the information age.

I think we have to understand that the Federal Government today has a responsibility at the elementary and secondary levels which it never had before. The reason I asked you that question, are we going in the right direction, I have to tell you, I think we are going in absolutely the wrong direction. The Federal Government's role in primary and secondary education ought to be going up, not down. If you go out to the suburbs where the people have money, you have good schools. If you go here in the District of Columbia where there is not a very high property tax base, you have poor schools. That's it.

And the kids that come out of those schools are American citizens. They either contribute to the American economy or they detract from it. I do not care where they live, in what State or what community they live in.

SHOULD FEDERAL FUNDING OF EDUCATION BE INCREASED?

There was a proposal I remember back in the 1970's when I first ran for Congress that the Federal Government ought to provide one-third of the money for education; State governments, one-third; and local governments, one-third, shared equally. I thought it was a good idea then, and I still think it is a good idea because I do not think the Federal Government is pulling its weight. And more and more of these burdens are being shifted to local property taxpayers.

Now, in my home State, we are bearing up under it, but we have the second largest population of people over 65 in the United States. We are No. 1 in people over age 80. They own property. They own a house. They might own a lot. They have to pay property taxes. They do not have the money, but they have to dig down and take out of whatever meager savings or Social Security they get to help pay the burden of local education.

And yet, the wealthy in this country who have the most to gain or the most to lose from a well-educated citizenry are not pulling their fair share in terms of the income taxes they pay to the Federal Government which then go out to help elementary and secondary education.

So, I must take issue with you there. While there may be a primary responsibility there, I think it is simply a well-worn phrase to say that the Federal Government should only have a little bit, 6 percent, of that responsibility. We need more. We are a federal nation. We are not a confederacy. We fought a civil war over that some time ago to decide just what kind of nation we were going to be.

Every time I hear about this and the more I talk about it, the madder I get because I do not think the Federal Government, in terms of taking from the populace as a whole and putting it into education, is meeting its national responsibilities.

If you have any comment on that, I would be glad to hear it.

Secretary **Cavazos**. I would like to comment if I could, Mr. Chairman.

Senator **Harkin**. Certainly.

Secretary **Cavazos**. Thank you.

TOTAL EDUCATION FUNDING OVER PAST DECADE

First of all, I appreciate your comments. I have great respect, of course, for what you said. We have the same goal: to make sure that everyone is educated out there to his or her fullest potential.

I think what we are talking about is perhaps a difference in strategy. See, I am not convinced still that by adding more and more dollars into the educational system, we are going to change it. When you look at the tremendous increase we have had across the past decade, we really have spent probably somewhere in the ballpark for education in this Nation, of $2.8 trillion. It is about $2.8 trillion this Nation has spent during this past decade. I think it is $2.6 trillion for defense, and we are $2.8 trillion for education as a Nation.

Now, even in this year, it is estimated that the Nation will spend $353 billion on all of its education programs. We estimate about $285 billion will be spent on defense. It is starting to shift even more under that part, with education exceeding defense by even more.

RESTRUCTURING THE EDUCATIONAL SYSTEM

But the dollars are not really the issue, Mr. Chairman, members of the committee. The problem is that until we restructure our education system to provide for the very kinds of things that you are talking about, to give an opportunity for parents to select where that youngster will go to school, to make a difference in terms of what the structure of the school looks like, get some school-based management in there, couple that with academic choice, change a variety of techniques that we have in terms of education, do truly significant early childhood education, look to make sure that no one has dropped out of the system. And when those are all changed and we start thinking about flexibility in our educational programs, then perhaps at that point might be the time to start looking at how do we really fund this in a different sort of way. But to add additional dollars to a failing system, that every year we report as failing—and we still are complacent about it.

I went back to 1980. We have been flat in terms of our reading skills, in essence. We have the wall chart coming up here in a few weeks again. And I am always amazed how every State tells me that they are above average. But I guarantee you, we are going to go through this all over again, and people are going to say, oh, you didn't do it right. But by every qualitative measure that we use in this country—I said qualitative—we are failing in terms of education of our children.

And I do not believe it is merely an issue of dollars. And until we change that system, how teachers are prepared, how students move about, a lot of the fundamental issues relative to restructuring, we will continue to have a failing system. We will fall further and further behind.

So, therefore, Mr. Chairman, with all due respect, I do not agree with you.

Senator **Harkin**. With all due respect, Mr. Secretary, I do not agree with you either.

As I said, I am not so naive to think that just money is going to solve it. Think of one of the worst elementary schools you have ever seen. I do not care where. Pick a city, pick a rural area. Go out and take a look at it and ask them, what if you paid the teachers more? What if you had more pay for teachers to teach at that school? What if you had money for better facilities? What if you had more money for labs? What if you had more money for better textbooks? What if you had satellite communications so that the best math teachers could teach those kids, and physics teachers could teach those kids in the rural areas?

Go to one of your inner city schools within about five blocks of here. Just ask them what would happen if they had better facilities, and they had better pay for teachers, and they had better labs?

That is money. That is money. You cannot run away from it. And the Federal Government cannot shirk its responsibility in that regard. We can compare it to what we spent for defense in the past decade. We can compare it to anything else. The bottom line is that the amount of money the Federal Government is spending on education is not keeping up with inflation. We are falling further and further behind, and, I am sorry, I just think that is the wrong direction for our society to take.

DROPOUT RATE

Mr. Secretary, one of the education goals articulated by President Bush is to lower the dropout rate to 10 percent by the end of the decade. There are varying estimates of the current dropout rate, ranging from 40 percent to 15 percent.

What is the administration's official estimate of the current dropout rate?

Secretary **Cavazos**. I think that the official estimate for all ethnic groups is somewhere in the ballpark of around 28 to 30 percent. However, there is a lot of difference between ethnic groups when we start looking at that. Our recent published statistics found that both for blacks and anglos, we have not seen marked increases in the dropout rate. For the Hispanics, it continues to skyrocket. The estimated rate for native Americans, an area that we have to address, is about 35 percent. I would say, though, roughly, Mr. Chairman, that about 30 percent of our students are not being successful in school.

Senator **Harkin**. About 30 percent.

DROPOUT PREVENTION INITIATIVE

As part of the dropout initiative, you are requesting $45 million——

Secretary **Cavazos**. Yes, sir.

Senator **Harkin** [continuing]. For dropout prevention demonstration projects. Well, we funded these demonstrations in 1988 and in 1989 at a total of $45.7 million though there was no request by the administration. You were also provided funds to evaluate these projects and produce a report on what worked and what didn't. What has happened to those projects and what has happened to the reports?

Secretary **Cavazos**. Well, in support of the national goal that we are talking about right here, to increase that high school graduation rate up to 90 percent, it is going to be a tough, tough job to get it done by the year 2000, but it is doable if we bring about the kinds of changes that we have been talking about. The Department has the responsibility to develop and disseminate information on what strategies are effective in preventing students from dropping out of school. That is the data that we gathered from those other studies, and now we are continuing with our request here.

And there have been a number of promising programs that are being identified in the current dropout programs. For example, Peninsula School in California, Project Coffee in Massachusetts, the Model School Adjustment Program in Florida, and then there is the Operation Rebound in Illinois. And these are programs that we can replicate in different sites to verify that these promising strategies will work in different educational settings. And under this proposal, therefore, the Department would replicate selected promising programs, such as the ones I have mentioned, in multiple locations across the Nation and then assess where we are going from there.

I, of course, already remarked earlier in my statement that I felt that that was one of the most important things that we would do to determine what works and what doesn't work, and gather the data on this. And so, this is certainly consistent with what we are trying to do.

Now, there are a lot of other dropout initiatives in the budget. When you start looking at chapter 1 and other programs, you start recognizing that we are putting a lot of funding in that area. Bilingual education is another key component. So we are not asking only for $45 million for dropout prevention. We really need to find the best way that we can to support these students. But let's look at it in a multiple approach fashion.

Senator **Harkin**. Well, I just wonder why you are requesting $45 million to fund demonstration projects when we have had those for the last couple of years.

Mr. **Kolb**. Can I add just one thing, Mr. Harkin?

Senator **Harkin**. Yes.

Mr. **Kolb**. One of the reasons we are doing that is because we think that we have some successes from that first authorization, and we would like to build on them. And I believe, according to the Post this morning, the Senate in fact extended the authorization for that dropout program yesterday. And so, we are very encouraged by that, and the President and the Secretary want to continue what we think is a good activity.

There will be evaluations completed later this year, which we will make available to you, on the first 2 years of the demonstration authority.

Senator HARKIN. The authorizing law, however, I will tell you, Mr. Kolb, assumed that this initiative would be followed up with a higher level of funding for State grant programs.

REQUEST TO OMB FOR DROPOUT FUNDS

Mr. Secretary, I would like to ask how much you asked OMB for for State grants for dropout prevention? I'll tell you what I have, and you tell me if I am wrong.

Secretary CAVAZOS. All right.

Senator HARKIN. The Education Department, I understand, asked OMB for $400 million for State grants for dropout prevention. OMB's response was $45 million for more demonstrations.

Am I missing the mark, Mr. Kolb?

Secretary CAVAZOS. Correct.

Senator HARKIN. Thank you.

I want to give you my compliments for asking for that. I think you are on the right track. But OMB turning down the $400 million request I think is again going in the wrong direction for this country.

Secretary CAVAZOS. Let me point out, though, that in addressing it in the same way, we went in the right direction when we were able to increase our discretionary spending by over 6.2 percent in making these adjustments on that. We increased chapter 1 which has a lot of the dropout prevention activity there. I see Even Start as part of that, the early childhood efforts. All of these are part of the dropout issue.

Senator HARKIN. Well, we are going to get to that.

CHAPTER 1 PARTICIPANTS

Now, Senator Sanford has a bill to fully fund the Chapter 1 Program and Head Start, which is in a different agency. But the percentage of students now served by chapter 1 is less than 50 percent.

Secretary CAVAZOS. It is 40 to 60 percent.

Senator HARKIN. My understanding is it is still less than 50 percent. You don't agree with that?

Mr. KOLB. Well, it varies, Senator, depending on how the eligibility determinations are made at the local levels, between 45 and 62 percent.

Senator HARKIN. All right. I'll give you 50 percent, but still one-half of the eligible kids out there that are under chapter 1 are getting chapter 1 help.

CHAPTER 1 BUDGET INCREASE

So, you can tell me you are increasing it by 6 percent?

Secretary CAVAZOS. We are increasing it by 8 percent.

Senator HARKIN. What is it?

Secretary CAVAZOS. It's 8 percent on chapter 1.

Senator HARKIN. Well, just a second. I do not think that is quite right.

Secretary CAVAZOS. I think it is, sir.

Senator HARKIN. You say you asked for 8 percent?

Secretary CAVAZOS. That is what we have in the current request, yes, sir.

Senator HARKIN. But I understand that that assumes that the Education Excellence Act would be passed by the end of this month.

Secretary CAVAZOS. Yes, sir.

Senator HARKIN. I'm sorry. Yes; by March 1.

Secretary CAVAZOS. Yes.

Senator HARKIN. Now, is there anyone here so naive as to believe that that is really going to happen? It is not going to happen. There is no way it is going to be passed by March 1.

Secretary CAVAZOS. Well, when we put that budget together months and months ago, that was the original assumption.

But let me point out that if we focus on chapter 1 grants, for example, the budget really is an 8 percent, or a $366 million, increase. And this is on top of the just-enacted 1990 increase of 14 percent, or $567 million, over 1989.

FEDERAL PROGRAMS SUPPORTING DROPOUT PREVENTION

Now, Mr. Chairman, as I have said before and I am going to say it again that that is not the only program that we have relative to dropouts. If we look at chapter 1, I have already given you the 8-percent increase on that. The Drug-Free Schools and Communities Act, which has a tremendous impact on dropouts, has a 10-percent increase. We have requested level funding of $113 million for magnet schools in desegregating districts. For magnet schools of excellence, our request of $100 million is a 100-percent increase. TRIO and Talent Search, vocational education, immigrant education, all of these are pieces of that. And when we look at the totality of it, we are asking for $643 million more in the area of dropout prevention, and that is a 10-percent increase.

CHAPTER 1 BUDGET INCREASE

Senator HARKIN. I do not mind your pointing that out, Mr. Secretary. Let's just point out that last year you requested 3.6 percent for chapter 1. It was the Congress that provided 15 percent.

Secretary CAVAZOS. Money is in the budget, sir. We're building on that.

Senator HARKIN. Well, I am just telling you who was pushing for it. And if that transfer does not take place within a week, which it is not, then your increase is really 4 percent and not 8 percent. No?

Secretary CAVAZOS. The money would remain in chapter 1. That's correct, isn't it?

Mr. KOLB. That's right.

Senator HARKIN. That's right. Your request for next year is really only 4 percent because the money stays here. We have already appropriated the money. That is my point. So, it is a 4-percent increase. About inflation level. We are not getting any more out there for chapter 1.

And we are still at 50 percent—if you want to take 60 percent, we are still serving 6 out of 10 kids. As you said in your own statement, if you want to get the dropout rate down, that is where we have to focus. And you are absolutely right. You have to get to those kids early on.

Secretary CAVAZOS. And we will continue to push on it, Mr. Chairman.

Senator HARKIN. I'm sorry?

Secretary CAVAZOS. We will continue to be a strong advocate for chapter 1, as well as all of the other dropout programs.

Senator HARKIN. Well, then please don't ask for 3.6-percent increases, and please don't ask for 4-percent increases. Come up here and ask for a lot more. We are going to put more money in it.

This is the President's budget. He wants to be the education president. We want to help him, but when we see these shifts in the budget, and we do not have funds to play with here, it is going to make it hard for us to put that kind of money into chapter 1.

Secretary CAVAZOS. Mr. Chairman, our budget I point out had the 6.2-percent increase for the discretionary funding, and that is the important part. Of course, that is where our programs are located, and that was the highest increase of any of the cabinet level positions. And I really feel very, very good about that, and I think that that is a strong commitment on the part of the President relative to education.

People keep coming back to an interest rate adjustment. That pulls that down and adding it up the other way. But you really need to look at where are the dollars going. And I think that that is the important part of that budget.

EDUCATION INCREASES AND T-BILL RATE PROJECTIONS

Senator HARKIN. And you have been able to boost education by this much by adding only——

Secretary CAVAZOS. It's $500 million in new dollars.

Senator HARKIN [continuing]. $507 million to last year's total because you are getting $748 million in savings from the GSL.

Secretary CAVAZOS. Plus we are also doing the kinds of things we need to do in building this budget. We cannot assume that we can every year just add on and add on. I have the responsibility to look at the detail of this thing.

Senator HARKIN. I understand, and we are going to look at those in even greater detail.

But almost all of this GSL savings, $748 million, is attributable—I am not casting aspersions on you—to OMB's expectation of greatly reduced interest rates. Now, what was their expected interest rate level? I think T-bills are now at 5 percent?

Mr. KOLB. For 1991 it goes down to, I believe, 5.7 percent.

Secretary CAVAZOS. It's 5.7 percent.

Senator HARKIN. Do you know of any reliable economist, market analyst, out there that says we are going to get down to that this year?

Mr. KOLB. Mr. Chairman, I think the fact is if you look at the historical record, one year so far of this administration's economic projections, they have been right on the mark. And there is no reason to assume at this point, unless you just want to be skeptical about it, that they are going to be wrong again.

I would point out to you that the forecast last year for real GNP growth, unemployment, interest rates on 10-year bonds were exactly accurate. And the forecast overall for the past year was more accurate than all 52 forecasters who put together the regular survey of the blue chip economic indicators.

So, again, the track record is good, and these are the economic assumptions that the administration is using. They have proved right in the past, and we are using them again.

Senator **BUMPERS**. Do you think interest rates will be 5.4 percent next year?

Mr. **KOLB**. That is the projection from the Council of Economic Advisers, OMB and the Treasury Department.

Senator **BUMPERS**. I'm asking you.

Mr. **KOLB**. I am not an economist, Senator Bumpers.

Senator **BUMPERS**. Everybody in the room hold up your hand who thinks interest rates are going to be 5.4 percent next year.

Mr. **KOLB**. I'm sorry. I am not an economist. The projection is for 5.7 percent. And those are the administration projections, and they are used in all administration programs.

Senator **HARKIN**. I have more questions, but I want to keep each individual's time to about 10 or 15 minutes on the first go-round, and we will take more time the second time around.

Again, according to the letter I sent out, I would like to recognize the ranking member. Then we will recognize people in the order in which they arrived.

Senator **BUMPERS**. Mr. Chairman, could I inquire of the Senator from Pennsylvania about how much time? I want to go hear President Havel, and I am on the escort committee. I have to be there at 10:40.

Senator **SPECTER**. I would be glad to yield to you, Senator Bumpers.

Senator **BUMPERS**. I thank the Senator very much. I will be very brief.

EDUCATION SPENDING DURING THE 1980'S

Mr. Secretary, according to the figures I have, we have indeed, as you pointed out, raised the amount of spending on education by 29 percent above inflation over the past 10 years.

Secretary **CAVAZOS**. Yes, sir.

IDENTIFYING SOLUTIONS TO EDUCATION'S PROBLEMS

Senator **BUMPERS**. And your office just recently issued a report saying that despite the warning of the document, "A Nation at Risk," we still have made no real progress in the decade of the 1980's. And you have said this morning that money is not the solution. So, I want to ask you what is the solution, and why have we not been doing it in the 1980's?

Is Congress an impediment? We are trying to provide the amount of money necessary. I do not want to throw money at the problem either, if that's not the solution.

And I know you take strong exception to the Economic Policy Institute study which shows that we are behind almost every industrialized nation in the world in the percentage of our GNP that we spend on education.

And I am really honest. What is the solution?

Secretary **Cavazos**. Thank you, Senator.

RECOGNIZING EDUCATION DEFICIT

Let me start by saying that there is not one single solution, but what it is going to require is first of all—and this may sound rather naive, but, first of all, this Nation has to recognize that it has a serious education deficit. Now, you say we know that. Well, if we know that, is this Nation going to stand by and watch a third of its youngsters just drop out of school and the rest of them be totally uncompetitive. That tells me that this Nation either has not recognized the problem or does not care, and I do not believe that America does not care.

RESTRUCTURING STRATEGIES

The second part is what has to happen is we have to totally restructure the educational system. By this I mean putting in place strategies that will change the educational process because, as you so accurately point out and as everyone here in this room knows, the dollars have not been the answer.

And what that means, therefore, is bringing such strategies as looking at academic choice, coupled with school-based management, early childhood education initiatives, flexibility in terms of schools, and a variety of other strategies that will change the system itself. There is a massive bureaucracy out there that needs to be addressed.

TEACHER PREPARATION

We need to look at how we prepare our teachers for one thing. I am very, very pleased——

Senator **Bumpers**. How big a problem is that? You are talking about something that I think is very interesting. I do not think you would make very many teachers happy with it.

Secretary **Cavazos**. I'm talking at their national meeting tomorrow.

Senator **Bumpers**. But you could argue, for example, that if our children are not learning, the people who are teaching them aren't teaching them.

PARENTAL INVOLVEMENT

Secretary **Cavazos**. Well, I would submit that learning is a variety of activities. Certainly a teacher is key, but we have to get the parents involved in this thing. They have not really been involved the way that they have in the past. And I think that that is a necessary component.

Senator **Bumpers**. We do not have any money in this budget for parental involvement, do we?

Secretary **Cavazos**. Yes; there is as a matter of fact. Even Start has some funding in that area where youngsters that are starting school and if their parents are illiterate, we educate them together. We have doubled our request to $48 million for Even Start.

But what I am getting at is you need to bring those parents back into the school system itself. Currently they are excluded. They do not feel welcome.

Now, I do not say the teachers are all at fault. I think we have a lot of good teachers out there. But I think that we need to look at other ways in terms of giving the teacher a voice in terms of what goes on in a school. We need to make some decisions about really changing the system itself where it becomes a significant kind of change.

RESPONSIBILITY FOR EDUCATIONAL REFORM

Senator **Bumpers**. Are we just secondary players? It was sort of traumatic to me when I was Governor to learn that I did not have that much influence over local school districts. They control their own agenda. They hire their own teachers. All we can do is set certain kinds of standards and ask them to comply with them.

Secretary **Cavazos**. You are absolutely correct, but let me point out that this Department of Education, the U.S. Department of Education, has zero authority to impose the types of restructuring that I have talked about. And I would never support that we impose a national curriculum. But, most importantly, we have absolutely no authority to do so. The only thing we can do is good research, try to fund areas where there is some marked need, try to get people to change, gather data. That really is the role of the Department of Education.

And people have said to me, you have been in this office almost 18 months and you haven't changed the educational system. Our students are still failing. Well, school boards will not move. That is where parents have to get involved in getting at the school boards and changing the system. Superintendents have not changed their system. We have some money in there for principal training, and I think that that is important. But, it is not a matter of dollars, and it should not be. But really, the Department cannot effect the change where the decision needs to be made, that is the responsibility of the local level and the State level.

FEDERAL PREROGATIVES FOR EFFECTIVE CHANGE

Senator **Bumpers**. Well, we can put certain strings on the money we put out there for these things, and we can be innovative in setting up creative programs and ask the States to participate, with matching funds. We can do all of those things, can't we?

Secretary **Cavazos**. Yes; we could.

Senator **Bumpers**. I promised the Senator from Pennsylvania in exchange for his generosity I would be brief. So, I will just go to a couple of things, and I will probably have three or four questions to submit to you in writing, Mr. Secretary.

Secretary **Cavazos**. I would be glad to respond to them.

Senator **Bumpers**. I must say that everybody has his particular view of what is the most important problem. I happen to think that education is everything. I do not think how many planes and tanks and guns we have is really what provides our security. I think they are necessary, but when I think about one B-2 bomber costing $1.2 billion and I think about where we stand in education in the world, and in competition and trade and so on—my quarrel with President Reagan and President Bush is not personal. It is just a matter of priorities. My quarrel with you is not personal. I am not sure I have that big a quarrel with you.

Secretary **Cavazos**. I do not think we have, Senator.

HIGH SCHOOL SENIORS POLL OF MOST ADMIRED PERSON

Senator **Bumpers**. But let me ask you this. Every year some group—and I do not remember the name of it—does a poll among high school seniors, and they ask them whom do they admire most. In 1988 Tom Cruise was No. 1. Poor old Tom didn't even make the list in 1989. And I can't remember all of them. But it's Patrick Swayze, Larry Bird, Michael Jordan, Jesse Jackson, Arnold Schwartzenegger, and Oprah Winfrey. Did I mention Jesse Jackson? There are three others.

Now, the Pope didn't make it. Bush, Reagan didn't make it. Poor old mom and pop didn't make the list.

Now, on reflection—and I may be wrong—I might have had a similar 10 heroes when I was a senior in high school. I cannot imagine somebody asking me who my heroes were and me not listing my father as No. 1.

Is that a proper list? Does that disturb you, or not?

Secretary **Cavazos**. It disturbs me greatly, sir, because it's a lack of emphasis in this Nation on education. And until they really turn those polls around, we are in trouble. And the very fact that high school seniors would come up with a list like—you know, these are all fine people, but I didn't hear an educator on there. I didn't hear the Secretary of Education on that list either. [Laughter.]

RAISING EDUCATION'S SIGNIFICANCE KEY TO NATION'S SUCCESS

And what I am really getting at here is that there is a lack of—I am really looking for the word, but this Nation really takes for granted its educational system. It is kind of like anything else that is going to happen; until and unless education is the most endeavor that this Nation has, then the kind of Nation that we want to have will not occur.

People are always saying to me, we have to position America into the 21st century so we can compete against the industrialized nations of the world. That is laudable. Fine.

But I say something else, Senator. I say we have to educate every person in America to his or her fullest potential, and it is everyone's responsibility. We have to educate them to their fullest potential because if we do not, the kind of America that you and I are dreaming about is not going to happen. All these people of humankind are being dropped out, and that is why it is not just a Federal initiative or a congressional problem. It is the Nation's problem.

THE HUMANITIES BILL

Senator **Bumpers**. Mr. Secretary, I am going to give you a chance to prove your true commitment to legislation I have introduced.

And there are other bills similar to it. But I have been pushing this one for 4 years, and I am tired of going through the hearing process and all the rest of it because I feel very strongly about it. And I intend to offer it as an amendment to a bill coming through here on teacher training in a few weeks. We call it the humanities bill.

TEACHER SUMMER TRAINING INSTITUTES

It is based on what the Mellon Foundation and the National Endowment for the Humanities did with their institutes to train elementary and secondary teachers.

My curiosity was peaked in about 1983, when they first started this. I know the University of Texas had one, a 9-week comparative study between Virgil and Homer, the Aeneid and Ulysses. That is a pretty exotic subject. They had 4,400 applicants for 225 spots, which shows me that there is no lack of curiosity for knowledge on the part of the teachers. They paid a stipend to these teachers to attend this seminar, but they could only take 225 out of 4,200 or 4,400 applicants that had applied for it.

THE HUMANITIES BILL

Now, No. 1, while we are dead last among industrialized nations in math and science, as well as in global studies, I want to be very careful about how we go headlong toward spending all of our money to create mathematicians or scientists. I happen to be a political scientist, and I think some knowledge of the Constitution, where we came from, the Civil War—I think those things are important, too.

Secretary **Cavazos**. Yes, sir.

Senator **Bumpers**. Philosophy, drama, literature, history, all of those are very important.

Secretary **Cavazos**. I agree.

Senator **Bumpers**. And the reason I asked you about who their heroes were shows that there is a tremendous deficiency in these areas in my opinion.

And my bill would provide $50 million to create summer seminars and programs for elementary and secondary teachers based on the proposition that whether you are teaching math or science, some knowledge of Virgil and Homer will not hurt anyone. It will make you a better teacher, and it will also help you just sort of casually throw out that kind of information that, I think, is very important to a well-rounded student.

Now, I am a product of a devoted father and a very good high school English teacher. I wouldn't be here today if it hadn't been for my high school English teacher, which shows you what kind of impact just one really concerned person makes. She did a lot for my self-esteem. Some people think she overdid it. [Laughter.]

But when I get into things like this that I feel so strongly about, I know that there are so many Miss Doll's out there who are so curious for knowledge, and they could pass that knowledge on to our children, which would change their value system as well as make them better math and science teachers and teach them something about the Constitution of the United States.

Question: Will you support my bill? [Laughter.]

Secretary **Cavazos**. I will to look at it in great detail, Senator. Let me also point out——

Senator **Bumpers**. You look at it and let me hear from you, will you?

Secretary **Cavazos**. I will.

Senator **Bumpers**. If it is negative, I don't want to hear from you. I don't want to have to get up and say the Department of Education opposes this.

HUMANITIES EDUCATION

Secretary **Cavazos**. No; I think what I would rather do is to visit with you and sit and talk about it because you have struck certainly a chord there that is so important. And there are tremendous increases in our budget for math and science, and we are pushing on engineering at NSF.

I am not a political scientist. I am a scientist by education. And basically I want to remind people here that when I was president of a university, a rather large university in the Southwest, I went to work on getting exactly the kind of core curriculum that you are talking about there for every student, whether engineering, math, science, art, history. There are certain fundamental things that all persons in this Nation must know about themselves, their government and the world.

Now, I had a heck of a struggle for several years, but we finally got I think it was about 43 hours required of every student, regardless of major, because I have exactly the kind of concern that you just expressed, Senator. Now, that was at the university level. That should spill over into high school clearly. There are fundamental things that need to be done there.

Senator **Bumpers**. Mr. Secretary, I have to run. Thank you very much.

Secretary **Cavazos**. I appreciate the opportunity to visit with you.

Senator **Bumpers**. Senator Specter, thank you again. As you can see, I am never brief, but I tried.

Senator **Specter**. Mr. Secretary, when Senator Bumpers talks about his high school teacher who is responsible for his getting here, I could say the same about a high school debating coach, but I don't know that that is necessarily good. I think if we talk too much about those teachers that got us here, we may hurt their reputations. [Laughter.]

Senator **Burdick**. Mr. Chairman, I have a conflict. May I submit these questions to the witness for a written response?

Senator **Harkin**. Certainly.

Thank you, Senator Burdick. Did you have any question or anything that you wanted to bring out right now, Senator Burdick?

Senator **Burdick**. No, Mr. Chairman.

ADVOCATING MORE DOLLARS FOR EDUCATION

Senator **Specter**. Well, Mr. Secretary, the Senators are falling off like flies here, I don't have many questions for you, but let me proceed with a few subjects.

I think the theme that you have heard from the chairman, Senator Harkin, and Senator Bumpers is one that we all are concerned about, and that is the allocation of dollars.

I compliment you on your first year's work in the Cabinet as Secretary of Education, really more than a year, a year in the new administration, and you were also in the Reagan administration. I know that it is a very difficult job, but I would urge you, as I think Senator Harkin and Senator Bumpers have, to pound the table perhaps just a little harder in the inner circles at OMB. You have a lot of support in the Senate and in the House, and last year when we worked through these figures, we were very, very anxious to increase educational funding. It is my sense, joining with the others, that we really ought to be allocating more of the Federal budget for education.

President Bush has articulated his sincere interest in being the education President, and that really has to be followed up I think with more dollars.

We have a very limited budget on the Labor, Health and Human Services and Education Subcommittee, and after the committee acted last year, our allocation was cut by some $393 million below the level assumed by the congressional budget resolution. So, it is necessary at the very outset when the in-fighting is done over at OMB—and I know that the elbows and knees are very sharp there. I know that. We all know that. When you come and present these budgets, if we thought these were your views, it would be a different kind of a reception. But we know what you have to go through OMB to get here. But the sense is to encourage you to battle even harder and try to get more of the share of the pie for education because this is a budget which is really second to none.

DRUG PREVENTION: SUPPLY AND DEMAND SIDES

Mr. Secretary, I want to start with a question on drug allocations and on the testimony of Director Bennett before the Judiciary Committee about 3 weeks ago. He said that education and the demand side were secondary to the supply side on drugs and on criminal law enforcement. We are allocating about 29 percent of the budget to the supply side.

It is certainly true that there are enormous problems with respect to interdiction from Latin America. I have authored the career criminal bill which deals with drug dealers and legislation on prisons. So, with a background as a district attorney I have an appreciation of the supply side. But I would hope that we would come to parity on supply and demand as we attack drugs. Even if we have as much as $10.6 billion, which is the President's figure, education and rehabilitation should be on a par in our attack of drugs.

The first question I have for you—and I do not wish to pit you unnecessarily against Director Bennett, but I would hope that as the leading educator in this country that you would agree in a forceful way, and publicly, that education and the demand side deserve equal priority in the war against drugs.

Secretary CAVAZOS. Senator, I would like to respond in this fashion. I have stated publicly a number of times already that, one, I of course support all that we can do relative to interdiction and the police and everything else we need to do to curb the drug problem, but I am convinced that this Nation is never going to solve its drug problem that way. The only way you are really going to solve it is through education. And it is the vital, key underpinning to any future drug program that we have in this country. And so, therefore, although I have tremendous respect for my colleague, Director Bennett, I disagree with him on that.

Now, we have a substantial commitment on drug education in this budget, just under $600 million, and it does have an increase.

But the point that I am making here is that there are strategies that we can put in place at the educational level. I really have been pondering this issue on drugs, concerned about what we could do about it. And I go to a lot of schools. Every time I am in a city, I try to slip out and go sometimes unannounced to high schools, grade schools, elementary schools, inner city schools quite often, rural schools.

A few months ago I came back and I said there must be a curriculum model that we can develop as a Nation of what we should teach our children from kindergarten through grade 12. We have already proposed—during Secretary Bennett's time, he proposed a model curriculum. That was the academic side. It was a good curriculum. But what I am getting at is although we cannot impose our curriculum, we needed to develop that model. It is at the printers right now. It will be going out to every school district in the Nation.

And we are doing a lot of other things in addition to that.

Senator SPECTER. I think that is important, Mr. Secretary, but I think that there ought to be an articulated, firm commitment by this Nation, and this administration, that education and the demand side of drugs are of equal importance to law enforcement and the supply side issue. Not superior, but equal, and that the dollars ought to be allocated to reflect that equality because of the massive nature of the job. I am glad to hear you say that you subscribe to the equality line, and I think we have to work within the Congress to try to put those dollars in that formula.

Mr. Secretary, let me move on because there are many questions that I have to ask you, and there are many witnesses on the list, and I know how busy you are.

JOB TRAINING AND BASIC LITERACY EDUCATION

I want to take up with you the subject of education as it relates to job training and basic literacy.

I was surprised, Mr. Secretary, to note 2 years ago that there was a job shortage area in southeastern Pennsylvania, specifically Philadelphia, at a time when there were 300,000 unemployed people in the area. The answer is that those individuals were not able to take on the jobs because they lacked basic literacy skills and they lacked basic job training.

We put a program into effect in 1983 at a time when new programs were few and far between, where Dr. Leon Sullivan of OIC, Opportunities Industrialization Corps, spearheaded the basic literacy approach. But we have made very little advance on tackling the hard-core unemployed, and it seems to me that that is a line which has to be given a lot more attention.

I agree with Senator Bumpers about the advantages of classical education, but I would have to put ahead of that at this stage in our country's life, literacy training and job training. I would like to see much more emphasis by your Department, and this is a subject that I have taken up with Secretary Dole as we attack that basic critical issue.

ADULT ILLITERACY

Secretary CAVAZOS. Let me put that in perspective a little bit, Senator. Certainly I agree with what you have said.

I do not think many people are aware that we have close to 27 million illiterates in the United States. We have another 40 million to 50 million who read at about the fourth grade level or below. And so, therefore, you are right on target when we start pointing out that that is a problem that we are going to have to address.

This current departmental budget includes about $314 million for adult literacy programs. That is a 32-percent increase over the 1990 appropriated level, and it is spread across a variety of activities.

BASIC LITERACY/JOB SKILLS NEEDED BY HIGH SCHOOL GRADUATION

Senator SPECTER. Mr. Secretary, how do we direct it to some of the younger people? Adult literacy is of vital importance, but what I am groping for is addressing the problem specifically in the public education system, with a Federal priority, so that these youngsters will qualify for job training or jobs when they leave school, even before graduation or when they graduate from school. Hopefully they will go to college, but if they don't, they have to have sufficient basic training to be able to get a job and hold a job.

BASIC SKILLS AND LITERACY PROGRAMS

Secretary CAVAZOS. Well, yes, sir. Of that total of $314 million, there are some programs that are aimed directly at young people to promote literacy education. For example, I have already mentioned Even Start, which assists the literacy education of both adults and children.

But bilingual education becomes an important key component of literacy training, preparation. If students are unable to communicate in English, they are not going to be able to read very well.

We have included provisions in our vocational education reauthorization proposal stressing basic skills acquisition.

And I think that what you are pointing out is exactly what I said earlier. Our students might show up for school, and they have to stay up to a certain age, but they are not really learning. And I think that what we are getting at here is we have to approach it in a totally new way. If we could somehow get across to people just to learn to read, just to learn to read at the very beginning and stay with it, the rest of it comes so easy, mathematics and science.

So, I agree with you. We are going to continue to stress the adult literacy issue, but obviously childhood education as well, through chapter 1, for example, one of the major programs addressing basic skills.

Senator SPECTER. Mr. Secretary, I do not quite know how you do it, but I think it is doing something more than continuing a program. I think there has to be a sense of urgency. I would ask you to take a look at this issue in the school systems, a big city school like Pittsburgh or like Erie or Scranton or Philadelphia, hopefully Pennsylvania, where you see what the missing ingredient is because something is amiss.

PRISONER EDUCATION: LITERACY AND JOB TRAINING

Let me turn to a related subject that you and I have discussed both privately and publicly and that is prisoner education.

Last year, on the education bill, I added a provision about utilizing the part of the funding for education that goes to prisons and mental hospitals to be directed for literacy and job training. When I was chairman of the District of Columbia Subcommittee on the Appropriations Committee, I took the lead in substantial Federal funding of the District of Columbia prisons for literacy training and job training. It is a tough road, but there is significant progress which is being made.

What I would ask you to do in the course of the next year, and until you come back next year and we talk about this again, is to do some monitoring as to where the Federal funds are going to the States. With respect to the 10 percent which are allocated to mental hospitals and prisons. Monitor in order to see what is happening with those funds and to see what those results are.

We are about to take up a crime package, and we are about to talk about the death penalty. I favor the death penalty, and I favor mandatory life sentences for career criminals. But I think as a society before we can really get tough enough with the violent criminals, we have to give the juvenile offenders, the first offenders, and the second offenders, a chance at rehabilitation and a job opportunity. And in the context where they fail, then I think it is appropriate to be very, very tough. But this is a field where leadership is again required.

If I had to pick the two biggest areas of need that I see within the education programs, aside from math, science, and competitiveness, I would go right to the job training that I have seen in the big cities, where the educational system falls down, or in the prisons where we have no real effort at rehabilitation and vocational training. We need more prisons anyway.

But I would ask you to monitor that specially so that when we sit here again next year, that we have some idea as to what has resulted from our efforts.

Secretary CAVAZOS. Well, I appreciate that, and we will do that, Senator.

VOCATIONAL AND ADULT EDUCATION FUNDS FOR THE INCARCERATED

Let me point out—and you are aware of this, and we have talked a little bit about this. In our current Carl D. Perkins Vocational Education Act, there is a 1-percent set-aside that is directed to the incarcerated to address that area.

Now, the other issue is the Adult Education Act that I have mentioned where we have had a considerable increase in our State programs. This year we are at $157 million, and we are requesting $200 million. States are required to use at least 10 percent of their program funds for the incarcerated and other institutionalized adults for literacy education.

Senator **Specter**. That is the provision that I was referring to. The Senate report last year included language stating that the emphasis should be placed on basic literacy and training and a marketable job skill. That was the amendment which I added based on our experience here in the District of Columbia.

Secretary **Cavazos**. Yes, sir.

Senator **Specter**. Let me move quickly to two other subjects, and then yield back, Mr. Secretary.

PROPRIETARY SCHOOLS

One is on the prospect for continued student loans for the trade schools. I was traveling in Pennsylvania this week before the recess ended, and went to State College, and instead of going to Penn State, I went to South Hills Vocational School to have an open house town meeting. It is just a little different flavor. There, I was acquainted with a concern about the possibility of scholarship aid being discontinued or reduced because the students are not paying back the loans.

I believe that there ought to be tough enforcement where students default on loans. They have a trust and a responsibility to pay back their loans both in terms of their own character, and the Treasury of the United States, and the availability of funds for other students.

But I would hope that we would not take a broad approach, a meat ax approach, to characterize, it with respect to some of these schools unless they are responsible. If they are responsible, be as tough as you like. But it seems to me that that kind of vocational training is very important in the educational mix, because everyone is not suited necessarily to be a professor or a lawyer.

Secretary **Cavazos**. Thank you, Senator. I want to comment on that because there has been a lot of concern amongst proprietary schools and really by all of postsecondary education about what will happen in the reauthorization next year in 1991 when that comes up and what will happen to the student loan program. Let me put it in perspective.

First of all, I am a very, very strong supporter of vocational and technical education. I always couple that with giving them a good, fundamental education in English and math and history and the other things that are important because people do change their careers.

Second, there are some excellent, first-rate associate degree programs out there in this Nation that need to be supported.

Third, there are also some very, very fine proprietary schools. People tend to just lump them all together, and I have had people say, well, you ought to just cut them out completely because they have a 37-percent default rate, whereas for our 4-year State universities, the default rate is probably around 7 percent. And so, people can argue these sides.

STUDENT LOAN FUNDS IN DEFAULT

Last year we had a $1.8 billion default. This year it will probably be closer to $2 billion, best estimates at this time. We put in place some, I really think, good, good regulations to address this issue, but it is going to take time.

STUDENT LOAN DEFAULT COLLECTION EFFORTS

Senator SPECTER. What are we doing to collect that money?

Secretary CAVAZOS. Well, there are a variety of strategies that we are doing to collect that money. I will start out by pointing out that, one, we really are holding the lenders and the guarantee agencies to due diligence.

Senator HARKIN. Excuse me, Mr. Secretary. We have some charts here that have your initiatives outlined. You might want to walk us through these.

Secretary CAVAZOS. All right, fine. I appreciate that.

Senator HARKIN. That is what the Secretary is doing right now.

Secretary CAVAZOS. This is just a great topic here, Senator, and I hope you don't——

Senator HARKIN. And I wanted to go through it too. So, I am glad Senator Specter brought it up.

Secretary CAVAZOS. Well, if you all don't mind, I am going to first of all address the collection issue, specifically what we are doing there.

Senator SPECTER. Mr. Chairman, I wonder if we might defer this. I am due at Judiciary. We have got habeas corpus hearings upstairs. I wonder if we might defer this and I could check the record.

Secretary CAVAZOS. OK.

Senator SPECTER. I am very concerned about student loans and I will check the record. I would like to come to one more question if that would be acceptable to you.

STUDENT AID FOR PROPRIETARY SCHOOL STUDENTS

Secretary CAVAZOS. Let me make one thing clear.

Senator SPECTER. One of our problems, Mr. Secretary, as you know, is that we all have to be in three places at the same time.

Secretary CAVAZOS. Yes; and I appreciate what you are saying here. And you and I have had a lot of good discussions about these issues.

But I want to make it clear for the public that in no way is the Secretary of Education advocating that we step away from supporting guaranteed student loans to proprietary schools.

Senator SPECTER. I am glad to hear that. Thank you.

Secretary CAVAZOS. But we are really going to do a lot of due diligence. We are going to hold them responsible. I have already met with the leaders of the proprietary schools, and I have asked them—you know, these are the best ones. These are the good schools—to clean the proprietary sector up. We are closing them down as fast as we can do it. Although I have been under a certain amount of pressure to step away from it, we will not at this stage commit ourselves to go in that direction.

Senator **Specter**. Well, I am glad to hear that, and I applaud your effort to hold them to the task and not to be soft on the schools or the students, but to recognize the importance of that aspect of the educational process.

COMMUNITY COLLEGE OF PHILADELPHIA

My final question refers to an incident in my own State, and this is not just parochial, because I think the issue here is broader and it is nationwide. The situation I am referring to is the Community College of Philadelphia where there has been a very protracted proceeding on an effort by the Department to collect $1.4 million in student financial assistance. And this goes in part to the same point.

AUDIT FINDINGS BASED ON REMEDIAL NATURE OF STUDIES

The effort here is being made to collect from the community college where the controversy turns on minority disadvantaged students, very heavily engaged in remedial course work. The Department of Education has raised the issue that the course work was predominantly remedial in nature and did not lead to a certificate or undergraduate degree.

Now, after the situation was experienced in Philadelphia, there were regulations promulgated by the Department of Education, but those regulations were not in effect during the audit period.

The concern I have is that where you have a student body which needs remedial work—and this cuts across a number of subjects that you and I have talked about in the few minutes we have been together this morning—where the basic education has been defective. Students come to the community college, and the community college reaches out, and the college offers remedial work trying to put these people on a track to get them an associate degree or a college degree. And there is no issue of fraud. And there is no issue of bad faith. And there is no issue of negligence.

It seems to me that there has been a tremendous amount of time spent on this matter, aside from the three letters that I have written to you and the numerous conferences I have held with my constituents. Put aside the Philadelphia controversy for a minute as to the merits and the $1.4 million for the school.

Is it useful to have the proceedings before an administrative law judge where you have a reputable community college without an issue of fraud or impropriety or negligence, but an issue as to whether the activities were predominantly remedial or how much of the time was directed toward a degree, or preparatory for a degree? I would be very interested in your view of that, Mr. Secretary.

Secretary **Cavazos**. Well, in terms of the specific case that you are referring to now, that has gone, I believe, to the administrative law judge.

Senator **Specter**. It is through that process.

Secretary **Cavazos**. It is through that process, and it is on my desk at the present time.

Senator **Specter**. It is appropriate to talk to you about it, I think.

Secretary **Cavazos**. At this time, very frankly, I have not gone through the details of that, and I do not want to judge particularly that whole system. I have to look at it and make a decision one way or the other.

But let me just say that consistent with what you have been talking about and what I have been talking about, is that we have to be really very careful—and I am not prejudging this case at all, don't misunderstand me—that the procedures have been followed, that there is no problem of impropriety or anything that is not permitted. And that is part of our responsibility.

The one thing that I have put in place in the Department here in the last few months is tremendous concern about audits within the Department itself to make sure that every audit exception is responded to in a prompt fashion. We do not want to get into the kinds of things that unfortunately have happened to other departments at the cabinet level. So, we are trying to be careful about that.

And what I am saying is that I will look to every method I can find to be sure that it has been treated fairly, and accurately, and certainly I will hear all sides of the case. I do not close the door to anyone. We will hear them out. And so, we will continue to try to do the best job that we can.

ADVERSARIAL NATURE OF FRAUD AND ABUSE FINDINGS

Senator **Specter**. Well, aside from how you decide that case—that is your judgment, obviously—I would be interested to know of your Department's standards because I think it is very different if you are talking about procurement fraud, or savings and loan fraud, or Department of Defense, or HUD and if it is criminal fraud, they ought to go to jail. If it is a matter of negligence, there ought to be a penalty. But if it is a question of a good faith interpretation as to what is remedial or not remedial, then I question the kind of process which has been undertaken here.

I do not have to tell you we are a very litigious society, and from a governmental point of view, as a district attorney, if I did not think there was a case, I dropped it. I wasn't there to represent a cause or a side from an advocate's point of view.

I would just ask you to take a look at that as to whether this hasn't become too adversarial in a context where the public purpose is not being served because if there is fraud or negligence, go after them. But if it is good faith and it is a difference of opinion or judgment, then I question this process.

Secretary **Cavazos**. I appreciate your viewpoint there and I have very much the same viewpoint.

Senator **Specter**. Mr. Secretary, it is always a pleasure to talk to you privately or publicly. I know Senator Harkin and I, and this subcommittee, will continue to work with you very closely.

Secretary **Cavazos**. Thank you very much, Senator Specter.

Senator **Specter**. Thank you.

Thank you, Mr. Chairman.

Senator **Harkin**. Thank you, Senator Specter.

STUDENT LOAN DEFAULT COSTS

Could we turn to the default issue now, Mr. Secretary? This is of the utmost importance. We are spending about $2 billion on this issue. It is either the second or third highest spending issue of the education budget.

I am sure you hear the same thing I hear when you go around the country. People just shake their heads at us. This can't be. We just can't continue to do this. As I understand it, the regulatory initiatives have already been put in place. Is that right?

Secretary CAVAZOS. Yes, sir; they have.

Senator HARKIN. Well, if you want to highlight anything for the record or for me personally, I would appreciate that.

Secretary CAVAZOS. All right.

Senator HARKIN. And then elaborate on the legislative proposals of what you are requesting.

Secretary CAVAZOS. That is what we would like.

I would like to touch on both of those, if I could, Mr. Chairman.

Senator HARKIN. Go right ahead, please.

Secretary CAVAZOS. Let's put it in perspective, as you point out. Last year we had that $1.8 billion in defaults. That is 37 percent of the total amount we have available in the guaranteed student loan account. And like you, sir, as I move around the country, people say to me, what are you doing? How can we keep on approving this kind of a program when you have that kind of a deficit? The total amount now is approaching $8 billion in defaults that we have out there.

STUDENT LOAN DEFAULT REGULATIONS

And so, therefore, one of the things I did the first week I was on the job was to call back the regulations that had been proposed or promulgated, and I said I want to take this back and have another look at it because that set of proposed regulations dealt with some absolute cutoffs and some other things where I felt we needed to have a little more input and revision.

We went back to the public on this and there was a phenomenal response. It was about 1,200, 1,500 comments that we received on our regulations and ideas. We went through them. We worked with higher ed, as well as the proprietary schools, as well as the lenders and the guarantors, to try to fashion some default regulations that had some teeth in them but were fair, exactly along the lines Senator Specter was suggesting.

So, we announced these new regulations last year, and we used the 60-percent level to initiate termination proceedings if they exceeded that level. Now, that does not mean that it is automatic. There was some concern about this by some of the institutions. We would hear them out and judge them individually.

Schools with 40- to 60-percent default rates have to bring that down 5 percentage points a year.

Schools with defaults in excess of 30 percent a year must delay disbursement to first-time borrowers for 30 days. Now, that is a good move because basically if we delay the disbursement, we won't lose that money. I think a lot of times those students that are going to drop out anyway end up defaulting.

Then the other one, for schools with defaults in excess of 30 percent, was to require a pro rata tuition refund for those that drop out.

Senator **Harkin**. I have to believe that one, along with the one mentioned before, those are two very good measures to take.

Secretary **Cavazos**. I must say that caused a lot of concern out there, but we got it through.

INSTITUTIONAL DEFAULT MANAGEMENT PLANS

Schools with defaults in excess of 20 percent must have default management plans. All of these, of course, have to have these default management plans. About 1,200 institutions have submitted their default plans. We have already approved a little over 400 of those, I believe, in the Department. You can imagine the massive impact this has had on our Department.

Senator **Harkin**. How many do you have left, though? There must be thousands.

Secretary **Cavazos**. Well, we had 1,200 total out there that have submitted plans.

Mr. **Kolb**. There are about 800 left, and they should be reviewed one way or the other by May.

Senator **Harkin**. Are you sending any of them back to the institutions? Are you saying, hey, this is not a good enough plan?

Mr. **Kolb**. We can get you the details. I do not have precisely what has happened on the review of those 400. But they are doing them carefully and it is taking a good bit of time.

Senator **Harkin**. You are saying then that there is some kind of quality control built in?

STUDENT LOAN DEFAULT REDUCTION REGULATIONS

Secretary **Cavazos**. And then from there, this loan counseling thing is such an obvious thing and yet it wasn't being done. I have had students say I did not know I had to pay that back. Nobody told me. I thought it was a grant or a gift. And so, now we have put that in place for all institutions.

Then there are certain requirements relative to the vocational schools, concerning disclosure of graduation rates, job placements.

Now, we feel that this is going in the right direction.

The other thing is, within the Department—and I have been very firm about this, that these lenders have to show due diligence or else we are not going to pay for the default, and that is working well. Everybody in the Department knows that I am just a real fussbudget about that and they are not going to get by with it. So, they don't even ask now.

DEFAULT REDUCTION LEGISLATIVE PROPOSALS

Now, we really need to have some legislative support for proposals that we have repeatedly come to the Congress about, but have been unable to get through the Congress, proposals that we think will strengthen our default reduction initiatives in a significant way.

Now, one proposal that we have come forward with for a number of years now is reducing the maximum reimbursement rate for the guarantee agencies to 90 percent. At the present time they receive 100 percent reimbursement. There is really not an awful lot of initiative out there. It is a real guarantee that it will be paid off. And here we are basically getting down to the issue of risk sharing which has not been very significant. Now, let me point out, sir, that we have proposed some form of risk sharing each year since 1984 and have been unable to get this through.

I am going to mention a couple of other proposals here.

Requiring credit checks for borrowers 21 years of age or older, and cosigners for those who have a bad credit history. In the past, there has been absolutely no information relative to those that have been delinquent on loans. They can move from one institution to the other getting additional loans and defaulting again. So, we would like to require a credit check in there. We proposed this in 1989, and of course we proposed it in 1990 and now for 1991. All loan applicants over 21 years of age would be required to undergo a credit check. And those individuals with negative credit histories would be required to obtain credit worthy cosigners. We really believe this would reduce default rates.

Also, borrowers would have to provide an address for next of kin and their driver's license number. That seems like such an obvious thing, such a simple thing. And yet, we really have not been able to move ahead with that. I think that just being able to track these people is an important issue.

Delay disbursement of all loans to first-time borrowers for 30 days. I think that that is another good strategy that will work out for us.

Require lenders to offer graduated repayment schedules. There are different ways of scheduling these repayments, and I think that we need to try to be supportive of the former students so that we can help them out as best we can.

What is that bottom one?

WAGE GARNISHMENT AND IRS OFFSET

Senator **Harkin**. That is the garnishing.

Secretary **Cavazos**. Oh, that is the garnishing of wages portion of that. I think that is really an important part that we need to have. We have requested that for a number of years, about 4 or 5 years, and have been unable to do that. We do garnish wages at the Federal level for Federal employees, and we would like to extend this to defaulters who work outside the Government. We withhold the income tax refund for Federal employees who default, and for all other defaulters, but the garnishing of wages is only for the Federal employees.

I think that these are the kinds of initiatives that will be helpful to us.

TIGHTENING ABILITY-TO-BENEFIT PROVISIONS

Another example, we really need a stricter ability-to-benefit provision. Now, let me explain what I mean by this. This has been sought four times since 1985, and our current proposal would revise the ability-to-benefit provision so that all student aid recipients who do not pass an independent administered test, demonstrating their ability to benefit would be required to possess either a high school diploma or pass a State approved high school equivalency test. This would significantly reduce the enrollment of people who are going to drop out or default. At the current time under the ability-to-benefit provision, the institution that is going to accept them gives the exam or counsels the student and makes that decision on its own. We are proposing that the Department of Education should certify other groups out there who can give those same exams or an equivalent exam and make the determination about the ability to benefit in that way. We have proposed ability-to-benefit reforms, as I say, four times since 1985, and have been unable to get that through. And so, if we could get these provisions in the statute, Mr. Chairman, I think that we would in time start turning this around.

SHARED RESPONSIBILITY FOR DEFAULT REDUCTION

But it is a massive problem. The universities have said, "Why hold us responsible." "Why should we be involved?" And for the first time we propose to bring the universities into this default reduction effort, and we hold them responsible because invariably when you have defaults it is because of lack of counseling, poor administration. They have not been vigorous in their pursuit of the problem. And I think that this is a tough thing, and it is good enough. And it is going to really help us in time, but it is going to be a long effort. As I say, we will probably see default costs of about $2 billion in spite of what we put in place.

Senator **Harkin**. Mr. Secretary, after going over this in depth for the first time last year when I took over this subcommittee, and becoming greatly alarmed at what is happening with the default rate, I introduced a bill that encompasses many of those provisions that you have there. And I am hopeful that we can incorporate some of your provisions, the ones that I did not have, and get it through. So, I look forward to working with you on that to see if we can get this legislation through to give you the authority to do that.

GARNISHMENT OF WAGES

Let me ask you about wage garnishment. Would that be voluntary on the part of the guarantee agencies, or would that be a requirement for them to be reimbursed for the defaulted loan?

Secretary **Cavazos**. Our proposal would authorize garnishment, and I think most agencies would utilize this authority. If they don't, I think it should be required.

Senator **Harkin**. I just wanted to know how you were going on that. I would like to know if the guarantee agencies are prepared to take on this kind of responsibility. I like the idea. I just do not know whether they are prepared to do it or not.

Mr. **Kolb**. We agree with you. We think they should. And I do not have any information to the contrary, but I suspect if it gets serious consideration, you will hear one way or the other.

COLLLECTIONS ON DEFAULTED LOANS

Senator HARKIN. Now, you are going to expand your efforts to collect on defaulted loans. You are already going out and directly collecting on defaulted loans.

Secretary CAVAZOS. Yes.

Senator HARKIN. Are you going to do that with your own staff, or will you hire private collection agencies?

Mr. KOLB. I think we are doing it right now with private collection agencies and our own staff, both offsetting and garnishment.

Senator HARKIN. I understand your proposal to get some third-party testing service out there to determine whether a student has the ability to benefit.

Secretary CAVAZOS. Rather than having the institution give a test and say, yes, you're doing fine. Come on in.

Senator HARKIN. Exactly.

I wanted to go through that because I think of all the things that would save immediate money and go out there and get the system shaped up. This is probably at the top of the list.

Secretary CAVAZOS. I agree with you, and as I have said to the university presidents and the people that head the proprietary schools, the good ones, we have got to turn this around because I am a strong, strong supporter of guaranteed student loans and everything we can do in that area. And I said it is hard for me to keep on defending these kinds of defaults, and I will not do it.

Senator HARKIN. You cannot defend them.

STUDENT AID FOR THE MIDDLE-INCOME STUDENTS

Let me just go into one other thing before I move on to the other panel that is coming up here.

The one thing that I hear constantly from middle-income people as I go around my State or the country they say, "well, if I was poor, I could get the kind of Pell grants and things that my kid needs to get into college. Or if I was rich, I could afford to do it." But they are right in that area where they do not qualify for the help and they do not have the financial resources to go to college. I hear that all the time. You must hear it too.

Secretary CAVAZOS. Oh, yes. I have lived some of that, sir.

Senator HARKIN. Sure, we all have.

In fact, I hear from families now—I had one case not too long ago where their older child got financial aid to go to school and a younger child coming along just a few years later was not able to get financial aid. Their income hadn't changed a bit. Income had not changed a bit. Just because of the changing regulations. And they cannot understand why. I don't know that I can understand why.

Why is that happening? What can we do to help the lower middle class and middle class get their kids into college?

When I see $745 million taken out of the subsidy for guaranteed student loans. You are hitting the middle class right here in about the only thing they have left. That is about the only place they can go. They do not get the Pell grants.

So, what are we going to do about those kinds of families?

Secretary CAVAZOS. Let me address that for a moment because I agree with you. We have to be extremely careful to make sure that no one is dropped out of the system. We can concentrate on different groups, but we have to address those issues.

I will start out in this way. Certainly we have to be very consistent in our regulations. And I cannot really address the issue that you brought up right there of how we changed that and what has happened, but I certainly will go back and ask that hard, testy question of my own people that have this responsibility.

RISING COLLEGE COSTS

But I think that there is something else here that we need to touch on, and they parallel. And as a former university president, I have some of my colleagues back there. We get into this whole issue of the rising cost of education. That impacts exactly to the point that you're saying. How can I keep a youngster in school, or two or three? And it is two-pronged.

One, we have to ask institutions to really define their own role and scope, decide what they are going to do, not grow exponentially in many cases in terms of the tuition level that continues to grow. We could debate that for hours, and I do not want to get into the details. But there is a university responsibility.

LOAN COUNSELING BY UNIVERSITIES

There is another university responsibility that I remind people about that they do not always act on, and that is the responsibility of universities to do good loan counseling and to put together what we call a loan package or a financial aid package in totality that would include all aid resources available, those at the Federal level and at the State level, as well as their own endowment funds and their own loan funds. And so, when we look at financial aid for students, it is made up of many, many components. There is not just the Federal component.

So, I would urge then, in the case of a constituent that says I've got this problem, go back to the university and ask the university to put together a student aid package. And many of the universities do have exactly what I am talking about. They do a great job, and they can put together the kind of package that will assist these students—an aid package which includes a variety of resources and activities.

I will examine the point and I will respond to you in writing, Mr. Harkin, about the student loan problem that you have referred to specifically. But I would urge that we look at it in a much broader sense, more responsibly, Mr. Chairman.

Senator HARKIN. Part of those programs have to do with college work-study.

Secretary CAVAZOS. Yes, sir.

Senator HARKIN. But that is frozen at last year's level. I know that the college work-study program is something that helps middle-class students. They can work and earn some money and help out.

I do not know what else there is, other than the guaranteed student loans.

Secretary CAVAZOS. Well, you have the guaranteed loans, but almost every week when you pick up the Chronicle of Higher Education, another university is going on another capital campaign. And many of them do have their own capital campaigns to raise exactly this kind of funding. The universities really are committed in the same way to try to get everyone into the system and not drop anybody out. Our State Educational Grant Program I think would be another good technique that they could use there. There are a variety of them.

But the student financial aid experts reside within the institutions and they know what is going on there, and they can look at those things. And it gets right back to good, firm counseling. I know that a lot of people say we do not have time. It is a real responsibility, and if students will call on them, those people will provide assistance. There are some very professional people that deal only in this whole area of financing student aid.

OPPORTUNITY TO REANALYZE AID DELIVERY DURING REAUTHORIZATION

Mr. KOLB. One point, Senator Harkin. I think that the point you made that was raised by your constituent is a very valid point. And in responding to you, the Secretary said we will look and see whether there were things like changes in the regulations dealing with expected family contribution or how assets have changed that would have an impact on that family.

But I think what your example tells us is that in the context of this reauthorization, we need to look at ways to simplify and streamline the ways in which this financial assistance is delivered to students. What we have is 20 or more years of accretion of very good programs, but in many instances they are often as complex as the Tax Code. And I think simplification and streamlining is certainly something that I know the Secretary has raised with those of us who are working on the reauthorization. I think it is important that we find ways to do that so that people can understand how they work and put together the types of packages that the Secretary has mentioned.

Secretary CAVAZOS. Let me point out one other thing, Mr. Chairman. Mr. Kolb touched on it, and that is the higher education reauthorization. That is going to give us an opportunity to look at the kinds of things that you are talking about right now.

I have made it very clear to my colleagues down at Dupont Circle, where most of the higher education agencies are located, that the Department of Education would take the lead. We are going to take the lead on higher education reauthorization. I have had 35 years in higher education. Obviously, I try to keep out of the way, but we need to take the lead as a department and work with Dupont Circle, work with the Congress to fashion a bill that really will be a first-rate bill, that will pay attention to these kinds of things.

I am very much opposed to just doing the same kind of things. Mr. Kolb points out 20 years of accretion on this. So, we will take a hard look at those fundamental issues. I have already asked our people in the legal area to look at our regulations, to start examining those to see how they meet the intent of Congress.

But what are we doing? Can we write these regulations in a better way so that they are not muddied up and don't get the job done.

We have already had seven hearings on our higher education reauthorization throughout the Nation, and we heard from proprietary schools, from universities, colleges, all levels. And so, we are now putting that together because we want to come to you, sir, in 1991 with a good package.

Senator HARKIN. I also sit on the authorizing committee for the Department of Education. I guess what I was going to ask you is do you have anything that we can begin to look at now even though it is not required till next year?

Secretary CAVAZOS. Next year.

Senator HARKIN. I know it is next year.

Mr. KOLB. It would come forward with the budget proposals for the 1992 budget. It will be about a year from now, Senator.

Senator HARKIN. A year from now.

I thought you might have something that you could come up with either this calendar year or next fiscal year.

Well, I have a lot of other things to get to. Actually, we could sit here all day and talk about different things. I would like to talk about a report on the future needs of the workplace, things like that. I will submit those in writing, Mr. Secretary.

Secretary CAVAZOS. Please. I will be glad to respond to them, Senator.

Senator HARKIN. And Mr. Kolb is going to be here this afternoon, and we will go over some of these finer points of spending and things like that and the policy level.

ADULT ILLITERACY

I would just state that I think that—you know, you point out that there are 27 million illiterates in the United States. That is just hard for me to believe.

Secretary CAVAZOS. It really is.

Senator HARKIN. It is just mind boggling, and then there are more people who are functionally illiterate. They may be able to read simple things, but to read something and comprehend it is beyond their power. They may be able to read a sign or read a menu or something like that, but to really comprehend anything beyond that, they are just functionally illiterate. It is just mind boggling.

BOLD MOON SHOT APPROACH NEEDED TO SOLVE ILLITERACY

I have thought for some time—and I know here we are going to get back into our old thing about does money solve all the answers or not. But I have thought for a long time that what we really need is a Moon shot for education.

I still remember when I was in college and President Kennedy went before a joint session of Congress. Of course, I am interested in that subject anyway, in aviation and flying and space. But I remember watching that and being electrified by the challenge, the daring of it, the audacity of a President of the United States saying that we were going to send a man to the Moon and return him safely in 10 years. And just a couple of years before we had seen Sputnik go up, and we were nowhere in the space race. We were just barely beginning to crawl. It was such a daring challenge.

And I have been thinking about that in terms of education and looking at these reports about the kind of workplace people that we are going to need in just 10 to 15 years from now and then looking what is coming out now and what is in those schools now. No way is it going to make it. It is not going to make it.

I think we need some kind of bold approach like that. I would like to see the President go before a joint session of Congress with only one speech, only one thing, and that is on education, not a broad thing, but saying that in the next 10 years here is what we are going to do. Bold, daring, challenging, something that would leap-frog. Get away from what you call this 20 years of accretion of different things. Leap-frog a lot of this stuff. Change things dramatically.

Talk about getting the businesses involved in the work place. Some of them are doing it right now. Take a half hour out of every day in every workplace in the United States for education for reading. That is what businesses have to give up. They have to give a half hour every day of their productivity to teach people to read. I don't care whether it is McDonald's, hotels or what it is, every place in America.

Social services. Combine social services with education, everything from food stamps to housing to transportation, whatever social services are out there. That one component is reading, getting people literate.

Using technology, a bold approach to using technology to reach out to people. I am amazed. Some of it I do not even understand, but I see it happening out there, how to reach out with communications and the new technology to get education to people. That costs money too.

Preschool education. And it has been a set policy in the United States. You say again these accretions. We have always said elementary and secondary education belongs to States and local communities. The Federal Government gets involved in postsecondary education. Well, who gets involved with preschool education? Maybe we need a president to come before Congress saying in 10 years, we are going to have a massive program of preschool education for every child in this country, something very challenging. Capture the imagination of people. Daring.

DEDICATED SOURCE OF REVENUE FOR LITERACY PROGRAMS

And I will just add this. Since it is going to cost money, specify a dedicated source of revenue.

Now, I have to tell you I talk to a lot of people. I take polls. I like to go to town meetings and ask for shows of hands. I am sure you have heard this before, Mr. Secretary. How many people here think that we should increase taxes? Now, you won't count one hand go up in the room. If you ask people if you could be certain that you could pay a little bit more in taxes—absolutely certain that it would go only for education, how many people would be willing to pay a little bit more? Every hand goes up. What they do not want is they do not want to see their taxes frittered away in bureaucracies and things like that. But if they could be certain that it went to education, the people of America would pay for it if we had a bold, innovative approach and leadership from the only person that can do it.

I cannot do it. You cannot. The President has to focus that attention. And I think if he said we are going to do all these things and our goal in 10 years is we are going to have everybody literate, we are going to have preschool education, we are going to have—I do not know what goals. I have not thought about all of them myself, but set out very daring, challenging goals. People would say we can't do it just like we said we cannot get a man to the Moon and back in 10 years. It's impossible. A lot of people were saying that. And then say and we are going to have a dedicated source of revenue to cover it, and that is all it is going to go for is just this program, nothing else.

Well, that is just sort of my philosophy on it from a policy standpoint. I would like to see that happen. And I do not care what President it is. I do not care what party he belongs to. Just get the President there to do it. One of them. I do not care who it is. And I would like to see Bush do it.

Anyway, I thank you for listening to me. It is just something I have been thinking about for a long time. I just term it a kind of a Moon shot, a one-shot kind of deal with a stated, specified length of time, with certain goals to reach in that certain space of time and specifying how much it is going to take to get it done.

Secretary CAVAZOS. May I make a comment, if I may, Mr. Chairman?

Senator HARKIN. Yes, sir.

Secretary CAVAZOS. Certainly I appreciate your thoughtful comments. They are extremely important. And you have articulated them and laid them out there in a very precise manner, and I have a lot of respect for your thought in this area.

Senator HARKIN. Thank you.

AMERICAN BUSINESS INVOLVEMENT IN EDUCATION

Secretary CAVAZOS. You are talking a little bit about business and their involvement. We have been urging them to get involved in restructuring and changing the system and doing exactly what you are talking about, let your employees go off and do some tutoring and do some teaching and be involved.

Senator HARKIN. That's right, sure.

Secretary CAVAZOS. Last year American businesses spent $25 billion on remedial education, sir—$25 billion. And that is the kind of problem that we are facing out there.

EARLY CHILDHOOD EDUCATION

I agree with you that the key to dropouts and the key to drug abuse and the key to students being successful in school is back there in that early childhood phase. Probably by the time they are 2 years old, they have already developed or are developing self-esteem, motivation, those factors that are key for success and the future of their own education. We need to put a strong emphasis on that, and that is why the President's request is there for $500 million additional to Head Start. We have doubled Even Start. We are going to keep on pushing on our chapter 1, all of those coming together to address that issue. And we are going to talk more about that. Obviously, the President has laid out those goals that he articulated before the Congress a few weeks ago.

NATIONAL COMMITMENT NEEDED FOR NATIONAL EDUCATION GOALS

It is interesting you should mention these things. People say there is no way in the world we can have a literate Nation by the year 2000. There is no way in the world we are going to be No. 1 in math and science. There is no way in the world we are going to get everybody prepared to come to school. It is just about as good a statement as there is no way in the world we are going to put a man on the Moon——

Senator **Harkin**. Exactly right, Mr. Secretary.

Secretary **Cavazos** [continuing]. Or go to the depths of the sea, or conquer polio, or do the kinds of things in typhoid and health that we have done. And it does take a national commitment at every level—at every level.

CLOSING REMARKS BY SECRETARY LAURO CAVAZOS

And I think that perhaps the point that I want to leave here with you—and we have spent a lot of time talking about these things—is that you have in this Department—we have some good, good people in our Department. We have excellent people in our Department. We are committed.

And I personally have but one goal. It is exactly the same goal that you articulated so beautifully, and that is to make sure that everyone gets educated. I have no other agenda. It is not a political agenda. It is not a personal agenda. It is a personal agenda in the fact that I just want everyone educated out there because I have this sense of desperation. And people criticize me and that is fine. Lord, have mercy. When you are as old as I am, you get used to those kinds of things, although I have the heart of a poet. It hurts sometimes, but I keep in mind what we are trying to do.

I took on this job, sir, in the waning months of President Reagan's administration. And people said to me, Larry, why are you doing that. Why are you going to take 4 months or 3 months left in this thing? You have no commitment, and I had no commitment from the then Vice President about a subsequent appointment. I said it will give me a little window to talk about the fundamental issues that I have been talking about as a university president, as a medical school dean, as a faculty member, as a parent. I moved around the Nation trying to get people to listen, talking about many of the kinds of things, sir, that you are talking about. It gave me that little window.

And I will continue to push that. People have not liked some of the things I have said, and that is fine. But I will not back off. I will not let anyone off the hook, and I am going to continue to push this. And if we are lucky, if America listens today to you, to me, to the President, maybe by the turn of the century, sir, we will start seeing a difference. But it is a long, long, difficult road, and I am committed to work with you on this.

I want to thank you for this opportunity, and I also want to thank you publicly for rescheduling this hearing. I had a conflict that came up, and you were very generous to do that. And I want to thank you. I look forward to working with you, Mr. Chairman.

Senator **Harkin**. I appreciate your mentioning that.

CLOSING REMARKS BY CHAIRMAN HARKIN

And let me respond in kind by saying that I have sat here now—well, not as chairman, but on this committee now since 1985. And I sense in you a depth of commitment and an intellectual honesty and a personal honesty that I do not feel was there in the past, not with you, but others. And I really appreciate that. I think you are really deeply committed to this.

And I think now what I like about it is—I think what I sense is that we basically agree on the course of the river. We agree on the course of the river. We may argue about the current flow on the edges. We are just differing on the edges a little bit, but that is good. That is good for political discourse and for heightening our sense of values and heightening what we want to do. Disagreements on the edges I think are fine, but disagreements about the main course is not fine. And I think that there is an agreement about the main course of that river now. Sure, we can talk about the edges. That is fine. That makes us think better.

But I do believe there is that depth of commitment there and I look forward to working with you on it.

Secretary **Cavazos**. Thank you, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Harkin**. Thank you, Mr. Secretary. There will be some additional questions which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUCOMMITTEE

COMPARING DEFENSE AND EDUCATION BUDGET REQUESTS

Question: A few weeks ago, Defense Secretary Cheney submitted a budget request for a 1.3 percent increase for the Pentagon. He argued that this is a frugal bare-bones budget that reflects the Peace dividend. In fact, he pointed out that "the defense budget has been shrinking since 1985." He claims that it has been shrinking, of course, because it has stayed below the level of inflation. In fact, he has been claiming that his requested increase for 1.3 percent represents a real cut of 2.6 percent.

Your budget request for the Education Department represents an increase of just 2.1 percent. How come you are not using the same measure as Secretary Cheney and highlighting the fact that you are asking for a real cut of 1.8 percent?

Answer: There are two points to make if you want to compare our budget to the defense budget on a comparable basis.

First, education is spending much more than the rate of inflation. It's just that much of the increase is in non-Federal funding. Defense is strictly a Federal responsibility. Education nationally gets only 6 percent of its total funding from our Department. If you look at the growth in the national funding of education, we have doubled the rate of inflation in the last few years. We spend much more on education in this country than we spend on defense.

Second, if we are adjusting for economic variables, which is what Secretary Cheney does when he adjusts for inflation, it is only fair if we adjust for interest rate assumptions. A simple way to do this is to look at our increase in discretionary programs. That increase, which excludes the GSL decrease caused by declining interest rates, is 6.2 percent. If you adjust that for the 4 percent inflation this year, we would have a 2.2 percent increase. In contrast to the defense decrease, we are going up, even after considering inflation.

FUNDING FOR THE PRESIDENT'S NEW INITIATIVE

Question: Mr. Secretary, your budget for FY 1991, as you have submitted it to us, assumes that the Educational Excellence Act, containing the President's new education proposals, will be enacted into law by March 1. You and I both know that this is not going to happen. As a result, no funds will be siphoned off from the Chapter 1 program to pay for the Presidential Merit Schools and the Magnet Schools for Excellence proposals. Therefore, you really are not requesting a $100 million increase in 1991 for Presidential Merit Schools, you are requesting a new initiative of $225 million. Similarly, in the Magnet Schools for Excellence proposal, you are not really requesting an increase of $50 million, but rather a new initiative for $100 million.

Do you still support the full funding at these levels in 1991, given the fact that there will be no funding in 1990?

Answer: Yes, I support the budget as submitted by the President. The Presidential Merit Schools program will provide a powerful incentive for educational improvement by rewarding schools that are making progress in raising student achievement, reducing the dropout rate, and creating a safe and drug-free school environment. The Magnet Schools of Excellence program will broaden opportunities for parental choice, one of the most important components of educational restructuring and reform. These are vitally important initiatives that should be funded at the requested levels.

Question: While the Senate expects to pass this Educational Excellence Act, it is not at all clear that the bill will pass the House. If the President's new programs for elementary and secondary education are not enacted into law in 1991, would you recommend that this funding be provided to the Chapter 1 program instead?

Answer: I believe the initiatives will be enacted, and I stand by our budget. The Senate passed the Educational Excellence Act on February 7. The House has begun the process of marking up a bill; Chairman Hawkins is now a co-sponsor of this legislation. We are confident that the initiatives will be enacted in time to take effect in 1991.

DROPOUT RATE

Question: Mr. Secretary, one of the education goals articulated by President Bush is to lower the dropout rate to 10 percent by the end of the decade. As you know, Mr. Secretary, there are varying estimates of the current dropout rate ranging from 40 percent to 15 percent. What is the Administration's official estimate of the current dropout rate?

Answer: The Department's first annual report on dropouts was submitted to Congress in September 1989. Information was presented in the report pertaining to three different types of dropout rates -- event, status, and cohort. Each of the three types of dropout rates measures a different facet of dropping out.

Event dropout rates measure the proportion of students who drop out in a single year without completing high school. Between October 1985 and October 1988, an average of 4.4 percent of all students in grades 10-12 dropped out of high school. Approximately 460,000 students in grades 10-12 dropped out between October 1987 and October 1988.

Status dropout rates measure the proportion of the population who have not completed high school and are not enrolled at one point in time, regardless of when they dropped out. In October 1988, nearly 13 percent of all 16- to 24-year-olds, nearly 4.2 million young adults, were out of school and had not completed high school.

Cohort dropout rates measure what happens to a single group (or cohort) of students over a period of time. Among the sophomore class of 1980, 17 percent failed to graduate by June of 1982. Nearly half (46 percent) of the dropouts from the sophomore class of 1980 had completed high school by 1986, that is, within four years of the expected date of their graduation.

PROGRESS TO DROPOUT REDUCTION GOAL

Question: How much progress will be needed to reach the President's goal of a ten percent dropout rate?

Answer: The President's goal is that there be a 90 percent graduation rate by the year 2000. That is not equivalent to having a 10 percent dropout rate.

A student who has not graduated may still be enrolled and is not necessarily a dropout. For example, in October 1988, a substantial proportion -- 13.9 percent -- of the 18- to 19-year-old age group was still enrolled in high school. Another 14.6 percent were dropouts, while 71.5 percent had completed high school. By age 20-21, very few are still enrolled in high school, and the high school completion rate for this age group was much higher in October 1988 -- 84.9 percent.

However, the 72 percent and 85 percent rates have problems as measures of graduation rates against which the President's goal of a 90 percent graduation rate might be measured. They include individuals who have obtained an alternative credential, such as a GED certificate or other equivalency credential, in addition to those who finish high school by earning a regular diploma.

The rate of 72 percent does not take into account the substantial proportion of 18- and 19-year-old youth still working toward their high school diplomas, noted above. The rate of 85 percent for 20-21-year-olds includes some individuals who have dropped out and later returned to complete high school. Data from High School and Beyond show that nearly half (46 percent) of high school dropouts complete high school within four years of their expected graduation date. These returnee-completers probably would not be counted toward the 90 percent graduation goal.

Thus, national data appropriate to measure progress toward the goal of a 90 percent graduation rate do not currently exist. NCES is working to refine and develop suitable measures that can be used to monitor progress toward attainment of this goal. These efforts will involve consideration of alternative measures, refinement of the calculation of measures, and possible changes to data collection instruments.

DROPOUT PREVENTION DEMONSTRATIONS

Question: As part of your dropout initiative, you are requesting $45 million for dropout prevention demonstration projects. The Congress funded these demonstrations in 1988 and 1989 at a total of $45.7 million, even though there was no request by the Administration. You were also provided funds to evaluate these projects and produce a report on what worked and what didn't. Why are you now requesting us to again fund $45 million in demonstration projects?

Answer: Under the dropout prevention program funded in 1988 and 1989, the Department supported a number of promising local programs. Although this initial effort will provide a basis for determining the range of dropout prevention and reentry projects currently in existence, it does not focus on funding comprehensive programs that provide basic skills instruction, counseling, employment preparation, parental involvement, and adult mentors. Research has suggested that comprehensive programs, involving several components, are most effective in preventing students from dropping out of school. The majority of projects funded for 1988 and 1989 involve fewer than 10 hours per week of student contact.

For 1991, the Department is requesting $50 million for dropout prevention demonstrations, program evaluations, and research. The new funding will be used to test and demonstrate effective approaches to dropout prevention and reentry and will involve rigorous evaluations similar to those used for demonstration programs funded by the Department of Labor. Projects begun in 1991 will be funded for up to 4 years. There will be two types of evaluation activities: (1) technical assistance to local projects in collecting data to validate individual programs, along with a national summary of findings; and (2) a national evaluation of selected projects to identify what approaches work best. Up to $2 million each year will be used for the evaluation activities, and $5 million will support research activities, including a national research and development center on dropout prevention.

While continued efforts are needed to reduce the dropout rate, it is also essential to gain hard evidence of programs that work. The extension of the dropout demonstration assistance program, along with added rigor for local evaluations, designation of priorities and models based on research findings, and a national evaluation of selected projects, will assist in providing that evidence.

STATE GRANTS FOR DROPOUT PREVENTION

Question: The authorizing law assumed that this initiative would be followed up with a higher level of funding for a State grant program. Shouldn't we now be sending funding to the States to follow up on what we learned from the demonstrations you have already evaluated?

Answer: No, we do not believe that the proper Federal response to the dropout problem is to start up another State grant program. The vehicles for providing the funds are already in place. States receive funds from such programs as Chapter 1, Chapter 2, and the Perkins Vocational Education Act, and all of these programs support the kinds of activities that can help prevent dropouts. Chapter 1 and vocational education funds, in particular, reach large numbers of students who are most at risk of becoming dropouts. We believe that the Department of Education has a responsibility for developing and disseminating information to the States that will help them spend money under these Federal programs on strategies that are most effective in preventing students from dropping out of school.

INSTITUTIONAL STUDENT AID LIMITATION, SUSPENSION, OR TERMINATION PROCEEDINGS

Question: Mr. Secretary, in terms of your proceedings to terminate schools based on their default rate, when will be the soonest time that you will begin taking these actions?

Answer: Termination proceedings based on a school's default rate will not occur until the fiscal year 1989 cohort default rates are published, which will be in the second quarter of fiscal year 1991 (January - March, 1991). By waiting for the 1989 rates, the institutions will have notice of the potential for termination proceedings as well as an opportunity to reduce their default rates. The Department believes both of these outcomes are desirable. Once the default rates are published a school's participation in the Title IV student aid programs could be limited, suspended, or terminated, if its default rate is too high and it has failed to implement the default reduction plan requirements in Appendix D of the June 5, 1989 default regulations.

Question: What other actions are you currently taking against high default schools, in terms of limiting them, suspending them, or terminating them from the program?

Answer: Many schools for which the Department currently initiates limitation, suspension, or termination (LST) action happen to have high default rates, although some do not. The fiscal year 1987 cohort default rate exceeded 40 percent for almost half of the schools against which the Department has taken recent LST actions. The Department has not initiated LST actions against a school based solely on its high default rate, because schools should have sufficient notice and an opportunity to reduce their rates. Such action will be allowed with the publication of the fiscal year 1989 cohort default rates in the second quarter of fiscal year 1991.

The Department currently is taking many other actions against high default schools, including requiring delayed disbursements, pro rata refunds, and default management plans. In addition, a school's default rate is used as a criterion for program review selection.

INSTITUTIONAL DEFAULT REDUCTION PLANS

Question: I know that the schools had a very short time period in which to develop their default reduction plans and submit them to the Department. You must have thousands of them sitting there. Can you assure me that these default reduction plans are of good quality?

Answer: The Department has received all (1,127) of the required default management plans, and has reviewed and approved 71 percent of the plans (801). Remember that only schools with default rates between 20 and 40 percent are required to submit plans which require Department approval; schools with default rates over 40 percent are required to implement the default management plan included as Appendix D of the June 5, 1989 default reduction regulations. The review and approval process will be completed by the end of March. Because the majority of the plans received have been based on Appendix D, the quality has been acceptable. Approximately 100 plans submitted by schools have been found inadequate so far, and these schools have subsequently agreed to implement Appendix D as their default management plan.

Question: Did you find that most schools developed their own unique default reduction plan or did you see contractors go out and submit similar plans for all of their client schools?

Answer: Most of the plans are not truly unique because most of the plans are modeled after the plan included in Appendix D of the June 5, 1989 default reduction regulations. Few of the plans which deviate from Appendix D are identical. Most of the deviations represent minimal variations in activities such as counseling plans, audio-visual and printed materials used by schools, and job placement plans. When the review and approval of all the default management plans are complete, the Department will attempt to identify the most effective and creative portions of the plans received and disseminate these to the community.

MONITORING INSTITUTIONAL PLAN IMPLEMENTATION

Question: Who is monitoring whether the institutions are executing the plans that they have put on paper?

Answer: Institutions' implementation of their default management plans will be monitored under the Department's normal program review process. The Department is expanding the number of institutions reviewed each year, as shown below:

1987	1988	1989	1990	1991
372	731	768	1,200	1,315

In addition, guarantee agencies are now required to give priority in their program review activities to schools with default rates greater than 40 percent. These schools are required to implement the default management plan outlined in Appendix D of the June 5, 1989 default reduction regulations.

CONSUMER INFORMATION DISCLOSURE REQUIREMENT

Question: On the last item on the list of your regulatory initiatives, you have implemented a regulation which requires all vocational schools to provide consumer information. As I understand it, that includes information both on the school's graduation rate and their job placement rate. We've heard from a number of community colleges across the country who greatly object to having to conform to this requirement. They argue that their mission is different from many of the proprietary trade schools and therefore they should be treated differently. What are your views on their position?

Answer: The consumer disclosure requirement focuses on schools which offer undergraduate nonbaccalaureate vocational training programs, regardless of whether the school is proprietary, public, or private. Some community colleges have been concerned that the college as a whole, including non-vocational liberal arts programs, would be required to provide such data. This is not the case, community colleges and other institutions must only provide their data on graduates of their specifically vocationally oriented training programs.

Given the fact that undergraduate nonbaccalaureate training programs , offered at both community colleges and proprietary schools, are marketed and purchased almost exclusively for their value in imparting employable vocational skills, the intent of the disclosure requirement can only be achieved if the consumer information is disclosed for each program of that type. This disclosure requirement will ultimately benefit many community colleges with relatively low default rates. It is apparent that the market forces that should operate to reward effective programs and weed out the ineffective ones are not currently working. The Department believes that more informed consumer choice will do much to correct that problem, and thereby substantially reduce defaults, but this can only be accomplished if consumers have access to the information required under this provision for all programs of this nature, good and bad.

WAGE GARNISHMENT PROPOSAL

Question: As far as your legislative proposals are concerned, one idea here that I do not think we have seen before is your proposal to authorize the guarantee agencies to garnish a defaulter's wages. Would that be voluntary on the part of the guarantee agencies or would that be a requirement for them to be reimbursed for the defaulted loan?

Answer: The proposal would override State laws in this area to provide guarantee agencies with uniform authority to garnish defaulters' wages. It would not be a requirement. However, we believe that all guarantee agencies will be eager to utilize the authority.

Question: This appears to be to be a very large and new endeavor for these agencies, to find the private employer of each of the defaulters and seek to garnish their wages. Do you have any concerns that all the guarantee agencies are not prepared to take on this kind of responsibility?

Answer: Although the proposal would not require the guarantee agencies to garnish wages, the Department anticipates that all the agencies would use the authority. Currently, State laws restrict wage garnishment activities for many agencies. Wage garnishment, after the defaulter is provided notice and opportunity for a hearing, is particularly appropriate in the student loan program because unemployment is grounds for a deferment, and because a major benefit of the program for borrowers is the opportunity to acquire employment skills. Use of defaulter wage garnishment nationwide would greatly assist in altering the public perception that individuals who can repay are avoiding their obligations. It would also serve as a default deterrent and should significantly increase collections.

DELAYED DISBURSEMNET PROPOSAL

Question: On your proposal to delay disbursement of loans for 30 days, I understand that this provision has been implemented now for some of the supplemental loans but not all of the guaranteed loan programs. One criticism that we have heard of this proposal is that some of the students need their money up front to obtain housing and buy textbooks. I take it you proposed to place this policy on all schools, not just schools with high default rates. Do you have any sympathy for the view that this proposal might work a hardship on some students?

Answer: The Department realizes that this provision may cause a cash-flow hardship for a few students and/or schools, but believes that the benefits of this provision far outweigh the potential problems. There is a very high correlation between dropouts and defaults. This proposal would reduce defaults in those situations. Moreover, this proposal would affect only first-year students, most of whom receive other types of student financial aid which may be used for non-tuition costs during the first 30 days of classes. Institutions can be expected to assist these students by deferring tuition charges for 30 days. Schools might also help by advancing funds to their students to cover non-tuition costs. Schools that provide a quality program and select students who truly can benefit from the training will not be taking a risk in providing such benefits, because students will not drop out and loan proceeds will be released promptly.

Question: I understand you already have the legal authority to do this for all schools. Why don't you just go ahead and implement it without waiting for legislation?

Answer: The Department's Office of General Counsel has strong reservations about the Department's legal authority to require delayed disbursement for all schools. It is concerned about Section 103 of the Department of Education Organization Act, which prohibits the unwarranted interference in the internal administration of institutions. Because dropouts and defaults are so highly correlated, the Department believes that the delayed disbursement requirement is clearly warranted for high default schools. Applying this provision to all schools is less clearly warranted, and its impacts would be serious enough that Congress should be given an opportunity to decide the issue.

STUDENT LOAN COLLECTIONS

Question: Mr. Secretary, I would like to ask you about an initiative which is not on these charts. The press recently reported that the Department is going to expand its business in doing direct collecting on defaulted guaranteed student loans. How much money do you expect to recover from this initiative?

Answer: The Department has initiated mandatory assignment of GSL default accounts from guarantee agencies to the Department for those accounts which have passed or are approaching the State statute of limitation. A guarantee agency has difficulty in collecting from long-term defaulters once the agency has lost the ability to litigate. Federal collections through IRS offset, and the Department's own efforts are expected to more that double from 1990 to 1995:

	1990	1991	1992	1993	1994	1995
Collections ($ in millions)	$254.6	$312.3	$402.2	$458.4	$514.1	$565.9

Question: Will you be doing this with Department of Education staff or will you be hiring private collection agencies?

Answer: The Department uses both Department staff and collection agencies to collect on its defaulted student loan portfolio. Department staff attempts to collect initially, and unresolved accounts are transferred to a collection agency for further collection efforts. The Department is expanding the number of contracts with private collection agencies from six to twelve contracts.

ABILITY-TO-BENEFIT PROPOSAL

Question: Under the ability-to-benefit provision, students who have not obtained a high school diploma, or a GED, can qualify for student aid if, in the opinion of their school, they have the ability-to-benefit from their program. I understand that the Inspector General has done a thorough audit of the admissions practices under the ability-to-benefit provision and has recommended that the determination of whether a student does or does not have the ability-to-benefit should be left to a third party testing service. This proposal is very similar to a provision I included in Default Reduction Legislation which I introduced in the last session. You are now proposing this as part of the fiscal year 1991 budget are you not?

Answer: Yes, the Department is proposing to modify the ability-to-benefit provision to require applicants for all Title IV student aid programs who receive aid under the "ability-to-benefit" criteria to pass a test, prior to enrollment, formulated and administered by an independent organization. The Department would not assess or regulate the adequacy of a test unless the students who achieved passing scores are not achieving substantially the same graduation, job placement, or State licensing examination pass rates as students attending the same schools who received their high school diploma or GED prior to admission to such schools.

Question: I note that this is not included in the proposals you have cited as part of your default reduction initiatives. Do you not think that this kind of law change would have a positive effect on our efforts to reduce student loan default cost?

Answer: This proposal would definitely have a positive effect on defaults, and was included in our proposed default reduction legislation, entitled "Student Loan Default Reduction Amendments of 1989," submitted for the consideration of the Congress on June 30, 1989. By mandating an independent regimen of test administration, this approach would eliminate the widely publicized abuses of this criterion that have resulted in dropouts and defaults, damaging the integrity of the Department's student aid programs and victimizing many disadvantaged students.

GRANT AID TO DISADVANTAGED STUDENTS

Question: Mr. Secretary, for the third year in a row you are proposing to freeze the maximum Pell Grant at the current level of $2,300. That's the maximum amount the poorest student can receive under the program. As you know, tuitions have steadily increased and we are facing a great challenge in recruiting and retaining disadvantaged students, especially minority students, in higher education. Don't you think that we should be doing something to get more grant dollars in the hands of disadvantaged students?

Answer: The Department has proposed a budget request that attacks the problems we are facing in recruiting and retaining disadvantaged students, especially minority students, in higher education. First, the majority of Pell Grant recipients--under the Department's proposal, 64 percent--come from families with incomes of $12,000 or less, and this group would receive 70 percent of all Pell Grant funds. Additionally, the funds requested for the Pell Grant program, the most need-targeted higher education assistance program, represent 21 percent of the Department's total budget. Second, 22 percent of Supplemental Educational Opportunity Grant (SEOG) funds (138,000 student awards), and 18 percent of Work-Study funds (135,000 student awards) are provided to students with family incomes of less than $12,000. Under the 1991 Budget request, available Pell and SEOG grant aid would increase by $153 million over fiscal year 1990. The requested funding levels for the Pell Grant program and campus-based programs are evidence of the Department's strong commitment to disadvantaged students.

The Pell Grant program and campus-based programs are just a part of the Department's plan to foster excellence in education and provide educational opportunities nationwide. You must consider the budget request as a whole that includes funding for programs that provide assistance to minority and disadvantaged students beginning at the elementary level and continuing through the adult level. The Department seeks support for new and continuing programs that would reduce the high school dropout rate, promote early awareness of resources to pay for college, create incentives for improved teaching, encourage achievements in math and the sciences, promote the participation of minorities in higher education, and reduce the national rate of illiteracy. The 1991 Budget Request supports the education goals recently announced by the President and demonstrates a strong commitment to the education of America's children and adults.

PELL GRANTS FUNDING POLICY

Question: Just recently, the Roper Organization printed a poll that showed that the most common reason cited by students for not attending college is because it is too expensive. While you are requesting an increase in funding for the Pell Grant program, those increased funds will not go toward providing any additional benefits. Do you think that policy is adequate given the needs we face in recruiting disadvantaged students into college?

Answer: In 1988, a poll conducted by the Gallup Organization, "Survey on Participation in Higher Education Among Young People 13-21 Years of Age" found similar results. When asked what they felt was the major reason more students did not go to college, 48 percent of all respondents chose the answer: "Too expensive, can't afford it." Yet, the majority of all respondents indicated that they felt they would probably do well in college. In order to promote access in postsecondary education, it is important for us to note that this paradox is related to substantial misperceptions about higher education costs. The Gallup survey found that: "Generally, young people of American think that college is more expensive than it actually is," with student estimates averaging three times the actual average rates at public institutions, and many have "misconceptions about the availability of aid."

The misperceptions students have regarding college costs and financial aid availability cannot be changed simply by increasing Federal financial aid dollars. What is required here is a campaign to educate the students of America about the availability of aid resources--not just Federal, but all sources--and the real, net costs of attending college. The Department began an initiative in 1989 under the Talent Search program to encourage seventh- and eighth-graders to begin to think about pursuing a college education and to help them to seek financial aid. The Department is also developing a brochure to promote early awareness about the availability of Federal financial aid, and we annually publish public information documents to inform students about the availability of Federal aid. The task before us is to increase the dissemination of accurate information about college costs and sources of aid. This task must be undertaken not only by the Department of Education but also by the States, higher education institutions, the financial aid community, high schools, and public service agencies.

The Department has proposed a budget for the 1991 fiscal year that promotes access to postsecondary education by providing assistance to disadvantaged students in the form of grants, loans, and work study. The increased funding requested for the Pell Grant program alone would provide benefits to an additional 175,000 students over the 1990 fiscal year level.

CIVIL RIGHTS -- A PRIORITY

Question: Mr. Secretary, the Assistant Secretary for Civil Rights is the only Assistant Secretary position in the Department which currently does not have a confirmed incumbent or a nomination. I understand that the Office for Civil Rights has been administered by an Acting Assistant Secretary for almost a full year. Why is this the only position for which there has not been anyone nominated? Is this a reflection of the Administration's lack of concern for civil rights enforcement?

Answer: The President and I are deeply committed to enforcing civil rights laws to the fullest extent possible. Although there has been an Acting Assistant Secretary for Civil Rights for almost a year, the Department has continued its strong efforts in civil rights enforcement. In fiscal year 1989, the Department closed more civil rights complaints cases than in any year since 1981.

A nomination for the position will be forthcoming very soon. I understand that the President will soon select an individual who will be formally nominated after all appropriate clearances are obtained. I foresee no interruption of our work in civil rights enforcement during the period of transition from an acting to a permanent Assistant Secretary for Civil Rights.

SUFFICIENT RESOURCES FOR CIVIL RIGHTS ENFORCEMENT

Question: Mr. Secretary, your Office for Civil Rights has seen a dramatic increase in the number of discrimination complaints being filed. At the same time, staffing in the Office for Civil Rights has seen a decline this past year. This Committee thought the situation was so dire that it provided your Office for Civil Rights with a supplemental appropriation even though it was not requested by the Administration. Just two months ago, your acting Assistant Secretary for Civil Rights admitted to the House Education and Labor Committee that Civil Rights enforcement has been lax in the past few years, in part, because of inadequate staffing. Does the budget before us request an adequate level of resources for civil rights enforcement?

Answer: The 1991 request for $49.9 million is a 12 percent increase over the 1990 post-sequester funding level. This should be adequate for 1991. The increased funding for 1991 should support employment at the 820 FTE ceiling level through 1991. Maintenance of this FTE level is necessary to enable OCR to meet the continued high level of complaint receipts. Full staffing and funding at the request level will also provide for increased compliance review activity, an increase in follow-up monitoring, and increased provision of technical assistance. These activities have been curtailed in recent years, in part due to funding levels that restricted hiring and travel. Because of these restrictions, OCR has focused its resources primarily on conducting complaint investigations.

Question: How does the Office for Civil Rights plan to handle the growing number of complaints and investigations that will be required?

Answer: OCR has had a substantial increase in complaint receipts and, even more dramatically, in complaint investigations since the passage of the Civil Rights Restoration Act. To cope with the influx of complaints, OCR has directed all available resources into complaint investigations and temporarily detailed 23 headquarters staff to a complaint investigation unit operating from the headquarters office to provide immediate assistance to Region IV (Atlanta) and other regions. Some regional offices may not be able to handle the complaint workload in a timely manner, and some have curtailed their compliance review investigations in 1990. Because of the decision to hire staff to investigate complaints, very few additional compliance reviews will be initiated for the remainder of 1990.

The 1991 budget request of $49.9 million should provide adequate resources to carry out an effective, well rounded civil rights program, including the ability to conduct more compliance reviews and technical assistance, provide needed training to staff, and acquire necessary office equipment.

CIVIL RIGHTS DISCRIMINATION AGAINST ASIAN AMERICANS

Question: Mr. Secretary, at our hearing last year I raised the concern that Asian Americans are being discriminated against through admissions practices at certain colleges and universities. At that time, you promised me that you would follow-up on this matter and made a very firm commitment to follow-up on discrimination complaints of all kinds wherever they are to be found. I was disappointed to learn, however, that it was recently discovered that eight formal complaints from Asian Americans had been misplaced and not acted upon until the mistake was discovered by the Justice Department. What can you report to me on your compliance review of alleged discrimination against Asian-American students? What have you uncovered to date and what actions have been taken by the Department?

Answer: The Office for Civil Rights (OCR) currently is conducting compliance reviews at the University of California at Los Angeles (UCLA) and Harvard University. OCR conducted a second on-site visit at Harvard University in January 1990 to obtain data to resolve the few remaining issues in that case. OCR anticipates completing the review at Harvard by the early spring.

OCR completed a second on-site visit at UCLA in late February 1990. The purpose of the visit was to address questions that had been raised by a review of graduate admissions files. OCR expects to release results of the review at UCLA this spring.

These compliance reviews have been very demanding of OCR's resources at a time when OCR is experiencing a dramatic increase in its complaint workload. Both reviews involve considerably complex issues, extending over a period of several years and encompassing a voluminous number of admissions applications. A great deal of data has been generated that needs to be analyzed. The review of UCLA has been particularly demanding for a number of reasons: the size of the institution; the inclusion of both the graduate and undergraduate programs in the compliance review; and the decentralization of the admissions process. Because both the Harvard and UCLA reviews are still ongoing, it would be inappropriate to comment at this time on the evidence that has been obtained thus far. The evidence will be available when OCR reaches its findings at the conclusion of the investigations.

Your question also addresses correspondence concerning discrimination against Asian-Americans in college admissions that was referred to OCR by the Justice Department. OCR staff contacted or attempted to contact all of the individuals who had written letters that had not previously been received by OCR. Some of the individuals could not be reached. None of the individuals who could be reached wanted OCR to initiate investigations. OCR investigates all complaints of discrimination against Asian-Americans that it receives.

DRAMATIC BOOST FOR SALARIES AND EXPENSES

Question: The budget before us requests a significant boost for the Department's Salaries and Expenses budget, an increase of $58 million or 21 percent. Could you please explain to the Committee why you are requesting such a large increase for personnel and salaries?

Answer: The Program Administration account, which provides the major part of the Department's Salaries and Expenses budget, will increase by almost $58 million. Of this amount, $13.3 million is for increased salaries and benefits. Approximately $10.5 million is for proposed employee pay raises, an extra paid day in 1991, and the increased costs of health and retirement benefits. The remaining $2.8 million increase for salaries and benefits is for 58 additional FTE.

The additional personnel are needed to administer new programs enacted in recent years, to reduce Student Loan defaults, and to improve the accountability through increased monitoring. These increased administrative efforts have been recommended by GAO, Congressional Committees, and OMB as necessary to prevent abuses of Federal programs and losses of billions of dollars.

The rest of the increase, totaling $44.4 million, is for maintaining and enhancing program operations and for some activities postponed due to budget restrictions in previous years. Additional funds are requested fot ADP support for administering the Student Aid programs, including Pell Grant processing and support, publication of a comprehensive Student Guide, increased mail costs, program evaluations, building renovations to correct environmental systems and work space, systems furniture required by decreased work space, and office automation equipment.

The increase also reflects the President's initiative to make Federal programs more accountable for results and the need to improve the monitoring of Department programs. Additional funds will allow more program monitoring, audits and program reviews and make necessary improvements to the Department's 23 financial feeder systems as recommended by OMB, the General Accounting Office, and the Department's Inspector General. The Department will also upgrade its minicomputers which run the Department's grants and contracts, accounting and budget systems.

QUALITY AND SHORTAGE OF TEACHERS

Question: Mr. Secretary, it has been suggested that the Federal Government can take on the role to influence the quality of the teaching force and address the pending teacher shortage through programs designed to improve teacher recruitment, training, and retention. Do you agree with that observation?

Answer: With the President's proposal for alternative routes to certification, we believe we can influence the recruitment of highly-qualified people into teaching, particularly in shortage areas. This proposal would also support induction programs for these new teachers.

We are also carefully examining the appropriate role of Title V of the Higher Education Act in improving teacher recruitment, training, and retention, as we develop our proposals for reauthorization of the HEA.

However, the Federal Government cannot take on sole responsibility for addressing these issues of shortage and quality. In particular, we are interested in the areas that I outlined in a recent speech to the American Association of Colleges for Teacher Education. Higher education must participate in the restructuring of elementary and secondary schools, with the result that teachers' professionalism will be strengthened and IHEs will be better informed about the professional development needs of teachers. States must work with institutions of higher education to create greater flexibility for teacher education programs, in order to permit the innovation demanded by restructuring strategies. Faculty members in education and liberal arts must provide a rigorous curriculum resulting in teachers' strong understanding of their subject matter content. Research-based knowledge must be incorporated into teacher education programs, with an emphasis on higher-order thinking skills and on meeting the needs of at-risk youth. Universities must make the education of teachers a top priority and an integral part of the university mission.

We have plans this year for two conferences to move this agenda forward on a national basis. One conference will address the need for flexibility in teacher education programs, which are approved by States; the innovation necessary for improved programs will not be possible without this flexibility. The other will focus on the need for the education of teachers to be an all-university responsibility; the university president must support it, and faculty members who teach subject matter to prospective teachers must be committed to that mission.

I am also appointing a Special Advisor for the Education of Teachers.

So the answer to your question is yes, I believe we can influence the quality of our teachers and the quality of their teaching, as well as the shortages in particular areas--by the programs we fund, and more importantly, by the leadership we provide for important ideas, which must be understood and acted on if we are to make rapid improvement.

CRITICAL ISSUES IN TEACHING

Question: What is there in your budget this year to deal with the crises in American teaching?

Answer: In addition to the activities previously mentioned, the OERI national education research and development centers deal with critical issues facing our K-12 schools. These include research about the following: How do teachers most effectively learn to teach the subjects of the school curriculum? How do students learn particular subjects, and what are the implications for effective instructional approaches? What do teachers need to know about science, mathematics, writing, and other subjects in order to teach them effectively? How should schools be organized for the most effective teaching and learning? What school conditions inhibit effective teaching?

Throughout the Department, the 1991 request provides $109.5 million (37 percent) more than the 1990 appropriation for teacher training activities. In addition, States are free to use their Chapter 2 Block Grant funds -- as well as other general authorities -- for teacher training, if they choose to do so.

Question: Has the Administration taken a position on some of the legislation moving through Congress to address the quality of the teaching force?

Answer: We provided testimony on March 2 to Senator Kennedy's committee regarding his bill and Senator Pell's bill. In general, we do not believe that these bills offer a coherent vision for the improvement of teaching and the teaching profession. In addition, we believe that they duplicate existing programs and efforts at the Federal, State, and local levels.

WHAT IS THE POLICY TO CUT PROGRAMS TO $1 MILLION

Question: Mr. Secretary, three programs for which, in the past, you have consistently sought termination--the Ellender Fellowship program, the English Literacy Grant program, and the Women's Educational Equity program--are all reduced in this year's budget down to the level of $1 million. Could you please tell me what the policy is in reducing each of these programs down to an even $1 million?

Answer: The $1 million request for Ellender Fellowships represents reduced support for a lower-priority program, which can largely be sustained through private-sector efforts.

All of the $1 million requested for English Literacy Grants would be used for national demonstration activities authorized under Section 372(d) of the Adult Education Act. No funds are requested for the English Literacy State grant program. Limited English proficient adults are served through the regular Adult Education State grant program. English-as-a-second language programs comprise approximately one-third of all activities under that program. There is no need for a second formula grant for services to this population. The Department can better assist this population by sponsoring carefully designed and evaluated demonstrations that determine the most effective approaches under varying conditions. This request would also provide funds to continue the clearinghouse on literacy education for limited English proficient adults authorized under Section 372(d).

The Administration is also requesting $1 million for the Women's Educational Equity Act program. There is a decreasing need for the program. As other programs have emerged to address educational status of women and as the educational status of women has changed, State and local educational agencies can address sex equity needs with funds from Chapter 2, Training and Advisory Services, the Carl D. Perkins Vocational Education Act, and other sources. The requested funding level for this lower priority program would support the publishing center to ensure that products developed over the last 14 years would continue to be available, and would support a limited number of grants for innovative model projects to promote educational equity for women.

COLLEGE HOUSING AND ACADEMIC FACILTITES LOANS

Question: Similarly, the College Housing and Academic Facilities Loan program, which the President's budget traditionally terminated, is funded at $5 million, a reduction from $30 million. I fail to understand the policy objectives behind running a national competition for facilities loans for $5 million. It is estimated that the facilities needs of our Nation's colleges and universities more closely approach $50 billion. $5 million may succeed in purchasing one and one-third new dormitories. Why are you proposing to have a national competition for this small amount of money?

Answer: The Department is pursuing a strategy of phasing out this program by requesting $5 million in new loan authority in 1991, with a gradual reduction to zero over the next five years. The Department should not assume responsibility for providing loan capital for on-going general maintenance of facilities on college campuses. Responsibility for this type of fundamental institutional support continues to lie with colleges and universities themselves and state and local government. The College Construction Loan Insurance Association, banking institutions and other financial intermediaries are the more appropriate means by which higher education institutions should obtain capital and insurance to finance general facilities projects.

MINORITY PARTICIPATION IN HIGHER EDUCATION

Question: Mr. Secretary, the American Council on Education recently released its annual report on minorities in higher education. The news is not good. Between 1976-1989, the percentage of blacks graduating from high school has increased to 75 percent. But the percentage who go on to college declined from 33 percent to 28 percent. What do you think is the primary cause for this trend?

Answer: There is indeed much reason to be concerned about the downward trend in minority college participation rates. Census data for the past 10 years (1978 to 1988) reveal a decline in college enrollment for black and Hispanic students.

- Black enrollment declined slightly between 1978 and 1988, from 29.5 percent to 28.1 percent. It remains substantially below the college participation rate for white students. Although enrollment rates for black females increased slightly (from 28.2 percent to 30.5 percent), the participation rate for black males dropped sharply, from 31.9 in 1978 to 25.0 in 1988.

- College participation rates for Hispanic students increased slightly between 1978 and 1988 (from 27.2 percent to 30.9 percent) but continue to lag behind the enrollment rate for white students (38.1 percent).

A number of factors may be contributing to this alarming situation:

- At the elementary and secondary levels, minority students are not being adequately prepared and counseled to continue their education. According to the Federal Desegregation Assistance Centers (DAC), which were created under the 1964 Civil Rights Act to help States implement desegregation plans, in-school segregation by ability grouping (known as "tracking"), low expectations of minority students, and cultural bias in the schools and in the standardized tests contribute to the fact that black and hispanic students score significantly below white students on standardized college entrance exams. Black students have made great gains in S.A.T. scores over the last 5 years, but in 1988, they still scored an average of 75 points below the national average on the verbal portion of the test and 92 points below the average on the mathematical portion.

- It has been suggested that blacks, particularly black males, do not see an adequate financial return for pursuing postsecondary education. This is particularly dismaying in light of the fact that Commerce Department data demonstrate that blacks and women make the most economic gains by attending college. We must ensure that younger minority students are properly counseled about the economic advantages of postsecondary education and about the availability of postsecondary opportunities, including financial aid. The Department began an initiative in fiscal year 1988 to encourage Talent Search projects to begin providing services to younger--7th and 8th grade--students. If successful, this initiative will be expanded in future years to include all Talent Search projects that wish to provide services to 7th and 8th graders.

- Because minority-group members tend to graduate with lower grade-point averages and lower test scores, the American Council on Education suggests that recent State efforts to raise admission standards at public universities may have a disproportionately large negative impact on minority high school graduates.

- There is some evidence to suggest that increased numbers of high-ability minority students may be choosing alternatives to a traditional college education. The military has been very successful in its efforts to recruit high-ability black high school graduates. Also, statistics show that over 40 percent of students enrolled in private, for-profit job training schools are minority.

Within the next 20 years, half of the new entrants into America's labor pool will be minority. Increasing the number of minority and disadvantaged students enrolling in postsecondary education--and improving their chances for success once they are enrolled--is one of the Administration's most important educational goals. The 1991 budget reflects this priority by providing funding for a continuum of programs from preschool through graduate education that provide support for minority and disadvantaged students.

In addition, one of the Department's four Presidential Management by Objective (MBO) goals is "to increase minority participation and retention in 2-year and 4-year college degree-granting programs." The Department plans a number of activities designed to provide the basis of an action plan by the Department: a survey of participation and retention practices and procedures at higher education institutions; a series of case studies on exemplary retention and completion practices; and a major study of the Upward Bound and Student Support Services components of the TRIO program.

Question: Many people have observed that this decline in minority participation in college is due to the declining value of student grants. Rather than go into greater and greater debt, minority students are choosing alternatives to college. Do you think this is true? If so, why isn't this budget doing more to expand grant awards to needy students?

Answer: We have seen no evidence that suggests any relationship between declining enrollments of minority students and their reliance on loans. During the last 10 years, the ratio of loan aid to grant aid available under Title IV has decreased slightly, from 2.2:1 in fiscal year 1981 to 1.9:1 in fiscal year 1990. During these years, the number of students assisted by these programs will have increased 19 percent, from 5 million students in 1981 to 5.93 million students in 1990.

While our 1991 proposals would provide financial assistance to approximately the same number of students as were assisted in 1990, they would increase support for students served by the Pell Grant program, which is the most need-targeted of the Title IV student aid programs. Under our proposals, 175,000 more needy students would receive Pell Grants in 1991 than in 1990.

The issue of minority attendance and retention in higher education is one of the three top items being worked on by the Department and tracked under the President's Management by Objectives System. A part of understanding this issue is, obviously, understanding the effects of student aid. The Secretary is undertaking an analysis of trends and is exploring strategies to address this issue.

FEDERAL AND STATES CONTRIBUTIONS TO STUDENT AID

Question: Mr. Secretary, both President Bush and yourself have defended your budget proposal for only minor increases in the education budget by explaining that the Federal Government is only a minor player in the education industry providing perhaps only 7 percent of all that is spent on education. Doesn't that rhetoric ignore the fact, however, that the Federal Government is providing 75 percent of all the Federal student aid available to our college students? In some areas, such as rehabilitation services, the Federal Government is providing almost 100 percent of the national expenditures.

Answer: While the Federal Government does play a large and important role in providing direct student aid, the States' role in providing indirect student assistance must also be taken into consideration. Direct State and local contributions to the institutions that serve them are in fact subsidies that significantly reduce the students' tuition bill. This form of student assistance is three times that of Federal Title IV aid.

Bearing this in mind, the Department's proposed increase is significant. The Department of Education is requesting more than a 6 percent increase for its discretionary programs for fiscal year 1991. We believe this to be among the largest discretionary increases requested by a Federal agency. Our fiscal year 1991 request of $9.46 billion will support over $18 billion in aid for needy postsecondary students. This strong level of support will aid nearly 5.9 million students.

SALLIE MAE'S $5 BILLION FEDERAL FINANCING BANK LOAN

Perspective

The Student Loan Marketing Association (Sallie Mae) is a stockholder-owned, for-profit corporation, established by the Congress in 1972 to provide a national secondary market for federally guaranteed student loans. With a student loan portfolio of almost $15 billion at September 30, 1989, Sallie Mae is by far the largest holder of these loans. According to Forbes magazine, of 1,150 large U.S. companies, Sallie Mae ranked 9th in profitability and 5th in average earnings growth per share over the last 10 years.

Sallie Mae has benefitted in part from a $5 billion loan from the Federal Financing Bank (FFB) at an interest rate of one-eighth of one percent above the 91-day Treasury bill rate. This rate is lower than the very favorable rate of roughly one-half of one percent over Treasury bills that Sallie Mae has experienced recently on its borrowings in the private capital markets. When it obtained the FFB loan-which it completed drawing down in 1982--Sallie Mae agreed to repay $30 million a year between 1986 and 1995, and the balance of $4.7 billion between 1995 and 1997.

Accelerating repayments of the FFB loan would offset a like amount of expenditures in the Department of Education's budget, yet would have minimal impact on Sallie Mae's profitability. For example, increasing the repayments by $1 billion annually during the 1991-94 period would reduce the budget authority needed for guaranteed student loans by $1 billion each year. On the other hand, these early repayments would increase Sallie Mae's interest costs and reduce net income before taxes by about $3.8 million, or less than 1 percent of its fiscal year 1990 estimated net income before taxes of almost $400 million.

Because it has substantial cash and other investments available to purchase student loans, accelerated repayment of the FFB loan should have little, if any, impact on Sallie Mae's ability to provide an effective secondary market for originating lenders. These liquid assets, which in fiscal year 1989 increased from about $5 billion to about $10 billion (100 percent), now account for 30 percent of Sallie Mae total assets.

Sallie Mae is the major financial intermediary to the nation's education finance market. At the end of 1989, Sallie Mae owned $16 billion in insured education loans (28% of all outstanding guaranteed student loans), had $9 billion in loan purchase commitments outstanding, and held $8.6 billion in warehousing advances (secured loans made to finance student loans and other education-related loans). Through student loan purchases and warehousing advances, Sallie Mae provides the funding for over 40% of the student loan program.

Through January 1982, Sallie Mae borrowed a total of $5 billion from the Federal Financing Bank (FFB) pursuant to an agreement with the FFB under which Sallie Mae undertook to eliminate its dependence on the FFB and to seek future funding from the private capital markets. For the most part, the FFB borrowings mature between 1995 and 1997 and carry interest, payable on a weekly or semi-annual basis, at a variable rate equal to the 91-day Treasury bill rate plus one-eighth of one percent. As of year-end 1989, Sallie Mae had $4.9 billion of FFB loans outstanding, representing 14 percent of Sallie Mae's debt. From January 1982 to March 1990, Sallie Mae paid the federal government $3.4 billion in interest on the FFB loans.

Question 1: How difficult would it be for Sallie Mae to accelerate its $5 billion of FFB debt? What, if any, effect would it have on its secondary market activities?

Answer: It would be impossible to accelerate repayment of the $4.9 billion principal on the FFB loans without an enormous negative impact on Sallie Mae's ability to serve as the national secondary financing market for education. Prepayment would place a financial strain on Sallie Mae and would damage the student loan program. More specifically, premature repayment of the debt is likely to have serious negative effects on Sallie Mae's earnings, cost of funds and stock price. Such an acceleration would double the corporation's near-term need for Treasury bill-indexed funds, with the inevitable consequence of driving up the cost of such funds. Sallie Mae would have to curtail the level of its secondary market activities as a result of increased costs of funds. For example, the Corporation may not be able to continue its current level of student loan purchases and purchase commitments as a result of being forced to divert billions of dollars from its mission of serving the postsecondary education market to repay the debt prematurely. In addition, Sallie Mae may have to pass along its increased cost of doing business by paying less for student loans and charging more for warehousing advances. Such changes in the pricing of Sallie Mae's services would almost certainly precipitate changes in many lenders' program participation strategies.

Sallie Mae understands that many lenders have dropped out of the student loan program because of increased participation costs and risks. The remaining lenders have increased their reliance on loan purchase agreements with Sallie Mae to reduce their exposure. For example, since year-end 1988, the corporation has increased such commitments by almost $1.4 billion or 18 percent (almost 300% increase from December 1984 to December 1989). If the cost of Sallie Mae's loan acquisitions substantially increases and Sallie Mae can no longer act as a funding source for student loan portfolios, additional lenders will almost certainly drop out of the program. Obviously this situation could severely damage access to our nation's primary student loan program.

You have not asked us, nor have we attempted to ascertain what effect any prepayment of Sallie Mae's FFB debt will have on the Treasury Department. You should be aware, however, that to the extent that Sallie Mae prepays its debt, the federal government will not have the built-in income stream available to repay the securities which it may have issued, and will also be "out" its profit. In the past, the Treasury Department has testified against the prepayment of FFB debt by other entities because of the disruption which it causes.

Question 2: What impact would accelerated repayment of Sallie Mae's $5 billion FFB loan--for example, by $1 billion a year beginning in 1991--have on its profitability?

Answer: It is difficult to determine the extent of the total financial damage a prepayment would cause. Clearly, Sallie Mae's profits would be severely diminished as a result of its increased borrowing costs. To the extent that Sallie Mae's secondary market services became less readily available and more expensive, its client relationships with GSLP lenders could also be impaired, further reducing profits. These economic losses to Sallie Mae would, in turn, translate into dramatic market losses for shareholders who currently hold approximately $5 billion in total equity capital. Additionally, and perhaps more critically, confidence in Sallie Mae's balance sheet and earnings quality--even at diminished levels--would be eroded if the marketplace were to conclude that Sallie Mae could not rely on the integrity of its contractual relationships with the federal government. It is also likely that existing creditors--holding approximately $34 billion of Sallie Mae obligations--would suffer losses in the value of their outstanding debt obligations due to the credit implications of such action.

Question 3: Given Sallie Mae's success in borrowing substantial funds at low interest rates in private capital markets and its $10 billion in cash and investments, why does Sallie Mae still need the $5 billion low-cost federal loan?

Answer: Sallie Mae's success in the private capital markets is due to its AAA credit rating which is in turn dependent on the strength of its balance sheet and earnings stream. Prepayment of the FFB debt would seriously injure the quality of that balance sheet and

Sallie Mae's ability to obtain funds at premier credit rates. Liquidation of the company's investment portfolio to pay off the FFB loans would not mitigate these effects, since the portfolio's assets are not held "free and clear", but are matched with liabilities, all of which are much shorter-term than the FFB debt. Thus, if it were to sell portfolio assets to pay off the FFB debt, Sallie Mae would be constrained to restructure 15% of its liabilities at "fire sale" rates, just as if it were repaying the FFB debt in the first instance.

Sallie Mae's investment portfolio of $9.8 billion at year-end 1989 includes nearly $1 billion of illiquid program assets (student loan revenue bonds and academic facilities bonds purchased under specific statutory authorizations), with the remainder in the form of highly liquid investments, such as Treasury securities. These liquid assets are held to assure near-term matched investment of longer term funds that will be used to meet planned new purchase and lending activities, and to cover existing purchase and lending commitments and letter of credit obligations (aggregating over $12 billion at year-end 1989). If Sallie Mae loses the flexibility to inventory attractively-priced funds in anticipation of future program needs, it will become more vulnerable to interest rate swings, changing investor demands and other market factors. The investment portfolio also provides a vehicle for maintaining consistent earnings, thereby encouraging the company to undertake less profitable program operations as mandated by Congress, without jeopardizing Sallie Mae's position in the capital markets.

Question 4: What portion of Sallie Mae's assets were financed with the FFB loan in January 1982, and what portion of assets was it equivalent to in January 1990?

Answer: FFB debt represented 97% of Sallie Mae's liabilities in January 1982 and 14% of Sallie Mae's liabilities in January 1990. These figures show that while FFB debt remains a significant portion of Sallie Mae's liabilities, the privatization strategy employed by the Administration and Congress--to wean the corporation slowly and gradually from its reliance on federal funds--has been a successful one.

Question 5: Is Sallie Mae subject to any limitations on the amount of debt it can issue?

Answer: Like other corporations, Sallie Mae is constrained by prudent business judgment and by market forces in determining the amount of debt it can issue relative to its stockholder's equity. Each year, Sallie Mae's Board of Directors establishes an aggregate amount of new long-term indebtedness that may be incurred by the corporation, consistent with the business plan for the coming year. The Secretary of Treasury approves each Sallie Mae debt offering.

In this regard, you are aware that Congress is increasingly concerned about the possible financial risks posed to the federal government by the so-called "implicit federal guarantee" behind obligations of government-sponsored enterprises (GSE's), such as Sallie Mae, Fannie Mae, and Freddie Mac. As part of the thrift bail-out legislation, Congress has asked both the GAO and the Treasury to conduct studies with respect to the capital adequacy and level of risk posed by the operations of the GSE's. Moreover, both the House Ways and Means Committee and the Senate Banking Committee have held hearings on these issues within the past few months.

There is general agreement that, as currently operated, Sallie Mae poses little financial risk to the federal government. For example, in the section entitled "Recognizing Federal Underwriting Risks," the Administration's FY 1991 Budget states that "[a]s long as Sallie Mae focuses on GSL financing and maintains a good match between the duration of its assets and liabilities, it poses little risk to the Government." However, if we were forced to prepay the FFB loan, our asset/liability match would be disrupted. In the eyes of those who argue that an implicit federal guarantee exists, this weakening would increase the potential financial risk to the federal government.

Question 6: What caused the 100 percent increase in Sallie Mae's cash and investments in fiscal year 1989?

Answer: Sallie Mae took advantage of favorable interest rates in anticipation of future program needs and increased its cash and investments by the end of 1989. The increase was not 100%, but 50% (from $6.5 billion to $9.8 billion). In general, it is Sallie Mae's practice to anticipate future program needs and to raise money when interest rates are most favorable in order to be able to offer lenders the most attractive terms possible.

In addition, there has been a recent surge in sales of student loans by lenders participating in the GSLP. Sallie Mae acquired a record $1.7 billion in student loans during the 4th quarter of 1989 (approximately half of which were purchased during the final weeks of December); the first quarter of 1990 is expected to sustain this record growth. This is indicative of the level of demand Sallie Mae can expect and must be prepared to accommodate. Congress has mandated that Sallie Mae's job, as the national secondary market, is to provide liquidity for student loan investments. In order to fulfill that mandate, we must ensure that adequate liquid investments are on hand to accommodate all of the lenders who wish to sell their loans, with as little disruption as possible.

What were the increases in student loan holdings and in loans it makes to originating Sallie Mae lenders (referred to as warehousing advances)?

Student loan holdings increased from $13.2 billion at the end of 1988, to $16 billion at the end of 1989, an increase of 21%. Warehousing advances, which are secured loans made to finance student loans and other education-related loans, increased from $8 billion to $8.6 billion, or an 8% increase. Our commitments to purchase and finance student loans, increased by 16% from $10.5 billion at year-end 1988, to $12.2 billion at year-end 1989.

Are there any requirements that a specified portion of Sallie Mae's assets be invested in student loans?

Sallie Mae's enabling legislation clearly limits the corporation's authority to education and student credit needs. Section 439(d) of the Higher Education Act of 1965, as amended, lists the activities which Sallie Mae is authorized to undertake. Although there is no requirement in the statute that a specified portion of Sallie Mae's assets be invested in student loans, almost 70 percent of our total $35.5 billion in assets are invested in student loans and warehousing advances. Other assets include student loan revenue bonds and facilities bonds (both of which support the company's educational purpose) and cash equivalents which, as discussed above, provide Sallie Mae with the necessary liquidity to fulfill its Congressional mandate as the national secondary market for guaranteed student loans.

PELL GRANT LANGUAGE SUPPLEMENTAL

Question: Mr. Secretary, the Administration has requested a language supplemental for fiscal year 1990 to provide explicit statutory authority to allow the Department to use additional funds provided in the fiscal year 1990 Appropriations Act for grant awards in the 1989-1990 academic year. The 1989-1990 academic year is now more than half over. This supplemental request comes to the Congress even though the Education Department's General Counsel and the General Counsel of the General Accounting Office maintain that this explicit authority is not necessary for the Department to use the appropriated funds in this manner. Why are you requesting this language supplemental given the fact that the above mentioned authorities have found that it is not necessary?

Answer: Based on the recent decision by the Department of Justice Office of General Counsel, the requested supplemental language authorizing borrowing authority is not necessary.

Question: Your budget materials explain that this language supplemental is needed immediately. By what date do you maintain that the supplemental must be enacted?

Answer: Based on the recent decision by the Department of Justice Office of General Counsel, the requested supplemental language authorizing borrowing authority is not necessary.

Question: What actions does the Department anticipate if the language is enacted one month following that date?

Answer: Based on the recent decision by the Department of Justice Office of General Counsel, the requested supplemental language authorizing borrowing authority is not necessary.

Question: What actions does the Department anticipate if the language is enacted after June 30, 1990, the end of the 1989-1990 award year?

Answer: Based on the recent decision by the Department of Justice Office of General Counsel, the requested supplemental language authorizing borrowing authority is not necessary.

Question: What actions does the Department anticipate if the language is not enacted at all?

Answer: Based on the recent decision by the Department of Justice Office of General Counsel, the requested supplemental language authorizing borrowing authority is not necessary.

PELL GRANT LINEAR REDUCTION

Question: Your budget materials state that the Department intends to publish a reduced payment schedule for the 1990-1991 award year by the amount of the GRH sequester--$66.5 million. Given the dramatic fluctuations we have experienced with the Administration's cost estimates for the Pell Grant program and the fact that the Administration maintains that the level appropriated for Pell Grants for the 1990-1991 award year is insufficient by an amount greater than $66.5 million, what is the rationale for reducing student awards only by the amount of the sequester?

Answer: As required by law, the Department published the 1990-91 award year Pell Grant payment schedule prior to February 1, 1990. This payment schedule reflects awards that are reduced by the 1989 Reconciliation Act sequester amount of $66.5 million. Only $4,673 million of the fiscal year 1990 appropriation is available for grants in the 1990-91 award year because $131 million is designated for unfinanced costs in the 1989-90 award year. Therefore, the Department has requested an additional $106 million in its fiscal year 1991 Budget Request to fund the difference between the available appropriation and the estimated program costs at the postsequester level of $4,779 million.

Moreover, the fact that Pell Grant full-funding costs, based on enrollment decisions and other variables that are very hard to predict, can never be precisely estimated does not excuse this one discretionary grant program from meeting its fair share of the deficit reduction burden under the 1989 Reconciliation Act.

PUBLIC LIBRARY SERVICES BUDGET RATIONALE

Question: Mr. Secretary, your budget documents indicate that your priorities for discretionary programs are those that assist the disadvantaged, the illiterate, the handicapped, and minorities. Those are exactly the priority groups served through libraries under LSCA Title I, which your budget would eliminate. At budget briefings, you said this was a duplicative program. Would you tell us which programs it duplicates, and exactly why it has been zeroed out?

Answer: Some of the same services supported by this program are available through Library Literacy Programs, which support adult literacy projects in the public libraries. Our justification for zero funding of LSCA Title I is that, based on the States' own reports to us, only about one-quarter of the Title I funds are used for these special populations. The Federal library dollar needs to be targeted on those with greatest needs now that general access has reached the highest level deemed practicable. Current legislation appears to have evolved into a general assistance program.

Question: At budget briefings, Under Secretary Kolb said LSCA has been around for 35 years, and while very successful, State and local support made it now a lower priority. Doesn't this ignore the important stimulus and pump-priming effects of LSCA?

Answer: Perhaps in the past, the matching fund requirements of the LSCA programs stimulated the growth in support of public libraries by both State and local governments. However, today this support is so firmly entrenched that Federal expenditures as a part of the total support for public libraries have dropped to below two percent. Perhaps it is more accurate to look at the Federal funds as seed money, whose purpose has been accomplished.

Question: On what data do you base your decision to eliminate funding for LSCA I and II?

Answer: Primarily, we have based our decision on a compilation of data from the annual reports on expenditures submitted by the States. These reports show that most of the Federal funds are not being used to benefit the target populations, and that, in the aggregate, 96 percent of the Nation's population has access to the services of public libraries.

Question: What evidence do you have that State and local support for libraries is increasing at a rate to make a Federal role unnecessary?

Answer: The point to be made is not that a Federal role is unnecessary, but that the Federal role must be focused and the Federal dollar targeted. Our budget reflects this. As a result, we are not requesting funds for LSCA Title I, which has evolved into a general support program, or for Title II, which supports construction of library facilities and should now be a State and local responsibility.

Question: Is State and local support for libraries equalized across the country.

Answer: State and local support is not equal from State to State because the needs, costs, and ability to respond vary from State to State. State and local governments decide their own priorities in supporting library activities.

GUARANTEE AGENCY RISK-SHARING

Question: Your budget request contains two guaranteed student loan provisions which would change existing sliding fees and penalties for guarantee agencies into level charges; i.e., a flat 90 percent reinsurance rather than a percentage based upon the agency's default rate and a flat .5 percent reinsurance fee rather than the current variable rate which is based upon defaults. Won't these provisions serve as disincentives for guarantee agencies to maintain low default rates, since they will have fewer dollars overall and no increased funds for maintaining low defaults?

Answer: Overall, much more default volume would be subject to default risk-sharing and the agencies would no longer be able to manipulate the flow of reinsurance claims to end risk-sharing at the end of the fiscal year. Thus, there would be broader and more consistent pressure on guarantee agencies to help lenders and borrowers avoid defaults.

At the beginning of each fiscal year, guarantee agencies are currently reimbursed for 100 percent of their default claims until their default rates reach 5 percent or more. Once a fiscal year ends, their reinsurance rates go back to 100 percent again. This proposal is designed to increase the financial risk faced by all guarantee agencies on each default. Guarantee agencies with good default records (now at the 100 percent reinsurance level) would have a stronger incentive to keep their default rates low.

STUDENT SUPPORT SERVICES 2-YEAR COLLEGE INITIATIVE

Question: Your budget indicates that a portion of the new funding for the TRIO programs will facilitate the transfer of students from two-year colleges to four-year colleges. How will this program work? Are you going to target any particular group of students?

Answer: In support of the Administration's goal of improving educational access and opportunity for disadvantaged students, TRIO's fiscal year 1991 budget request supports a 2-year college initiative under the Student Support Services program. Student Support Services projects provide supportive services to postsecondary students from disadvantaged backgrounds who need academic support to complete their education. These services include: remediation, academic counseling and guidance, tutorial services, personal counseling, and career counseling. The new initiative will provide additional assistance to students currently enrolled in 2-year institutions to secure admission and financial assistance for enrollment in 4-year postsecondary programs. Services will be expanded in the areas of career and academic counseling as well as providing additional guidance to students in their selection of courses and preparation of applications to transfer to 4-year postsecondary institutions.

NATIONAL STUDENT LOAN DATA SYSTEM

Question: The Department of Education has repeatedly requested the authority to pre-verify loan applications. That authority was provided to you in the Reconciliation Act passed last November. When will the Student Loan Data Bank be operational? Will it be run under existing Departmental contracts or will a new procurement be undertaken?

Answer: During fiscal year 1990, the Department will develop, with the assistance of guarantee agencies, lenders and postsecondary institutions, a plan for establishing a data system. A detailed work statement will then be developed and a contract will be competitively awarded in fiscal year 1991. A data system will be implemented and tested on a pilot basis in fiscal year 1992. A fully operational system would be implemented by 1994.

NCES DATA COLLECTION

Question: The budget request for OERI has been significantly increased from the current $95 million to $175 million. In the budget package it states that in part these funds will go toward data collection. What type of data will you be collecting?

Answer: The National Center for Education Statistics (NCES) in OERI is responsible for collecting, analyzing, and reporting statistics on education in the United States and for conducting studies on international comparisons of eduction statistics. NCES collects data on education institutions at all levels. Those collections include base line data on students, enrollment, staff, finance, and institutional and faculty characteristics; longitudinal data on students' progress through the educational system and on into their lives as employees and citizens; data on policy oriented issues such as dropouts, teacher supply and demand, and postsecondary student financial aid; and assessment data on what students know and can do, collected through the National Assessment of Educational Progress.

Question: For what purposes will you be collecting the data?

Answer: It is the job of NCES to examine and report on the condition of education in the United States. Data are collected in response to statutory mandates and are used by policy analysts and decision makers at all levels of government; by researchers in education, sociology, and economics; by the media; and by education related industries.

Question: Will the data be collected by Departmental personnel or will the Department enter into contracts?

Answer: Data are collected through contracts with private organizations and through interagency agreements with other Federal agencies such as the Bureau of the Census. Some analyses of data are done by Departmental personnel, but a large portion of the analytical work is also done under contract.

OERI EXCEPTED APPOINTMENTS

Question: What formal procedures have been established for employing personnel under the excepted appointment provisions in the Office of Educational Research and Improvement?

Answer: The procedures for hiring excepted personnel in the Office of Educational Research and Improvement (OERI) require that any Departmental approvals needed prior to the filling of an excepted position have been obtained, the position can be filled within OERI's authorized FTE ceilings, and funds are available to support the position.

The detailed steps for excepted recruitment are:

- Establishing the position -- The decision to fill an excepted position is documented by the supervisor's preparation of a position description, which accurately and completely describes the duties and responsibilities, including discussion of any specialized knowledge and abilities required.

- Recruitment Methods and Sources -- The means for locating well-qualified candidates for the excepted service are: conducting a recruitment search involving targeted or general advertisement of positions; using the OERI applicant supply file; or identifying an individual candidate or candidates with exceptional expertise in a particular field of inquiry, based on the recommendation of a recognized authority.

- Determination of initial salary -- This determination is based on a variety of factors, such as demands of the position, unique qualifications required, present salary, bona fide competing job offers, and current fringe benefits and relocation costs.

- OERI Processing -- OERI must forward important documents to the Personnel Management Service permitting the selected candidate to begin employment. Documents such as the position description, the basis for determination of initial salary, a completed standard form 171, "Application for Federal Employment" (signed by the applicant), as well as a Standard Form 52, "Request for Personnel Action," are included.

- The Personnel Office -- This Office contacts the applicant selected for the position and makes the official "offer of employment."

Question: Are openings publicized?

Answer: In most instances, yes. However, OERI uses several methods to identify and recruit potential candidates for the excepted service. In the past, these have included the careful review of unsolicited resumes, personal contacts by OERI staff, written communication with individuals soliciting suggestions, advertisements in professional journals, and Departmental vacancy announcements.

Question: What steps are taken to ensure that new employees have the needed professional and scientific qualifications?

Answer: The Personnel Management Service provides assistance and advice to the Assistant Secretary concerning compliance with applicable laws, regulations, and practices regarding recruitment, interviewing, selection, promotion, and reassignment.

OERI senior staff advise the Assistant Secretary in determining whether individuals recommended for hiring under the Authority possess appropriate experience and necessary scientific, professional, and/or technical expertise. This determination is usually based on information gained from reference checks, reviews of written materials (e.g., publications) and personal knowledge.

The OERI Deputy Assistant Secretary for Operations is responsible for the day-to-day management of the Excepted Appointing Authority and for the development of plans, objectives, criteria, policies, and procedures pertaining to the authority (including OERI requirements for specific expertise); determining the skills and knowledge requirements based on current and planned work; and the recruitment, selection, and appointment process.

The Assistant Secretary for OERI is responsible for establishing OERI's criteria for ensuring individuals hired under the authority possess the requisite professional, scientific, or technical expertise.

The Under Secretary is ultimately responsible for the review and approval of all appointments made under the Excepted Appointing Authority.

NUMBER OF OERI EXCEPTED APPOINTMENTS

Question: Currently how many positions in the Office of Educational Research and Improvement (OERI) are filled by staff under the three year excepted appointment provision?

Answer: Currently OERI has 35 employees who were hired under the OERI appointing authority, Section 405(d)(2)(A) of the General Education Provisions Act (GEPA) as amended by Section 1401(a) of Public Law 99-498, Title XIV. In addition, five employees were hired under the appointing authority of Public Law 100-297, Section 3403(5)(C)(iii) for the National Assessment Governing Board (NAGB), and six employees were hired under the Fund for the Improvement and Reform of Schools and Teaching (FIRST) appointing authority of Public Law 100-297, Section 3231(f). This represents a total of 46 employees on three year appointing authorities. OERI also has two excepted service employees on staff with indefinite excepted appointments as authorized under Public Law 99-498, Section 1401(c), Title XIV.

Question: How many of these are on their second three-year appointment?

Answer: OERI currently has five employees serving on their second three-year appointment.

Question: Are there any excepted appointment staff who have been on the rolls for more than six years?

Answer: Yes. OERI currently has three employees who have been on the rolls for more than six years. This includes the two persons with indefinite appointments mentioned above, and one person who served an initial three-year term under the old NIE authority and is now into a second and final term under the OERI authority.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUYE

PACIFIC BASIN LABORATORY

Question: Mr. Secretary, it was my understanding that in your budget for FY 1991, you were going to request an increase in the Administration's Budget for the Regional Educational Laboratories. This increase was to fund the new Pacific Education Laboratory. No increase has been requested. Please explain to this committee why no increase in your budget was requested for FY 1991.

Answer: The 1990 contract announcement requests proposals for ten laboratories, one of which will serve the Pacific Basin region. The allocation of resources will be based on the same factors of need as those considered for the other nine regions. In fiscal year 1990, the laboratory program received $23.6 million. In 1991, the Department is requesting $20 million for the laboratory program, but $24.9 million will be available for awards. This amount will be more than sufficient to fund the new laboratory.

A total of $24.9 million will be available for awards in 1991, because $4.9 million will be carried over from 1990. This carry-over is the result of a difference in the award schedule for the core laboratory activities and the special rural activities. The funds available for the first 12 months of activity under the new contracts to begin on December 1, 1990, will exceed the amount available to the laboratories for activities during the prior 12 months by $1.3 million. This amount will be more than sufficient for funding a tenth laboratory.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

IMPACT AID "3(b)" PAYMENTS

Question: Mr. Secretary, I remain concerned about the Administration's repeated efforts to eliminate Impact Aid Part "b" payments. In the budget proposal before us, there is a plan to cut all but $25 million of Part "b" funds.

I reiterate my State's need for full funding of Impact Aid, Part "a," Part "b," and all the other categories. North Dakota, with its Indian reservations and Air Force Bases, has a strong need for Impact Aid funds. It cannot afford to lose them.

For too long, the attitude of the current and preceding Administrations has been that the States can be called on to make up Federal funds which are eliminated. I'm here to tell you that they can't keep being asked to do so.

My State has faced drought, a failing farm economy, and rejected tax increases slated for education. We need all the Impact Aid money we can get. My questions are simple: How do you propose that districts make up for the money they would lose?

Answer: On the average, districts would lose very little money because "b" payments make up a very small proportion of school districts' revenues. The average percentage of the total school district budget represented by a "b" payment is less than half of one percent. For example, the total for payments received for "b" children in 1989 for the entire State of North Dakota was only $289,234. Payments to individual districts in North Dakota for "b" children ranged from $287 to $44,981. Over two-thirds of these districts received payments of less than $5,000.

Question: Why does the Administration continue to suggest deleting Part "b" payments when Congress and the States clearly see them as being necessary?

Answer: The Department believes that most "b" payments are not justified. Payments under Section 3 are intended to compensate school districts that are burdened as a result of Federal activities. Section 3(b) children who live on or whose parents work on Federal property or are on active duty in the uniformed services do not represent a federally imposed burden on their districts. Their parents contribute to State and local tax bases from which educational expenditures are funded at almost the same rate as the parents of non-Federal children. They pay property taxes, sales taxes, and, frequently, income tax. The economic benefits from Federal installations generally accrue at a much higher rate than school expenditures increase because of the presence of these children.

IMPACT AID PAYMENT CALCULATIONS

Question: Mr. Kolb, at last year's hearing, I asked you and Ms. Christensen about the Department's use of average daily attendance figures, rather than average daily membership, to set the amount of Impact Aid funds a school district receives. I pointed out that in a small district, of which my State has many, a flu epidemic or other unusual event can have a drastic effect on average attendance figures. Have you explored the idea of changing to average daily membership? If so, what was the result of this study?

Answer: Because payments for many of the elementary and secondary programs in the Department are based on average daily attendance data, the issue of whether to use average daily attendance or average daily membership is one that must be looked at in a larger context. The Department's Office of the Inspector General (OIG) recently recommended that the Department use fall enrollment counts instead of average daily attendance for computing per-pupil expenditures as part of a larger effort to improve the quality of State per-pupil expenditure data and the way they are collected by the National Center for Education Statistics. In August 1989, the Department formed a working group to address the OIG recommendations. Issues related to attendance and membership data are among those being examined. Work is expected to be completed on this task by the end of the year.

CONSUMER AND HOMEMAKING EDUCATION

Question: Mr. Cavazos, in your budget justification book, you note that the Department is awaiting congressional action on vocational education reauthorization legislation before making specific funding recommendations for such programs.

I have a particular interest in consumer and homemaking education, which is among the smaller vocational education programs. It is an important program, however. It can be a district's only source of vocational education funds.

Could you tell us whether the Department is committed to the Consumer and Homemaking Education program?

Answer: The Administration supports the teaching of consumer and homemaking skills, which can play an important role in helping individuals to pursue healthy and satisfying lives. However, in past budgets we have not included funds for the Consumer and Homemaking Education program, out of belief that it is inappropriate for the Federal Government to provide categorical support for this fairly narrow area of vocational education. Rather, States and localities should be given the flexibility to allocate funds, from the vocational education basic grant, among the various categories of vocational education. We note, in addition, that both the House and Senate Perkins Act reauthorization bills include mandated within-State allocation formulas for the basic grant. Thus it is likely that, once the reauthorization is passed, consumer and homemaking funds will not be the only Federal funds allocated to certain districts; all districts that apply will almost certainly receive a basic grant.

Question: What would be your recommendation for a funding level for this program--continue at level funding, increase, or decrease it?

Answer: No decisions on requests for specific vocational education programs, including consumer and homemaking education, will be made until the reauthorization of the Perkins Act is completed later this spring.

GRAMM-RUDMAN-HOLLINGS BASELINE FOR DEFICIT REDUCTION

Question: Mr. Secretary, the Administration estimates that the fiscal 1991 deficit will be $100.5 billion. To reach the Gramm-Rudman-Hollings target of $64 billion, $36.5 billion in spending cuts would be needed. Based on your budget, what percentage of the $126 billion in non-defense outlays available for sequester cuts would be from the Department of Education? For the record, I would like for you to submit an itemized list, showing program by program, the impact a sequester cut of $36.5 billion would have on the Department of Education. Would any other Department in the Government be hit as hard by a sequester?

Answer: The Administration made three estimates of the deficit in its budget documents. The 1991 deficit estimate under the Gramm-Rudman-Hollings (GRH) baseline, which includes increases for inflation and other factors for entitlement programs, is $84.7 billion. The President has proposed policies and funding levels in his budget which would bring the deficit to $63.1 billion below the GRH target of $64 billion. For example, not all programs receive inflation increases in the President's budget. Some programs are decreased or discontinued. A third estimate of the deficit, which is the $100.5 billion you cite, is an attempt to adjust the GRH baseline for actions that Congress is likely to take. Without other action, it would trigger a sequester of $36.5 billion. A sequester can be avoided by enactment of the President's budget, which includes a 6.2 percent increase for discretionary education programs above the 1990 level.

Of the $126 billion in non-defense sequestrable outlays under the GRH baseline, $4 billion would result from 1991 budget authority for Department of Education programs. Education is about 3 percent of the total non-defense discretionary outlays. In terms of budget authority, a $36.5 billion sequester would translate into an approximate cut of 11 percent or about $2.6 billion overall, for the Department of Education. Programs other than Guaranteed Student Loans and Rehabilitative Services State Grants, which follow special rules under GRH, would be reduced by 12.9 percent. The domestic discretionary activities of all Departments would be reduced by the same percentage by a sequester. The better alternative is to enact the President's budget. A summary of the effect of a sequester of this magnitude on the Department's major discretionary programs follows.

Examples of the Potential Impact of a $36 Billion
Gramm-Rudman-Hollings (G-R-H) Sequester in FY 1991

(Dollars in millions)

DISCRETIONARY PROGRAM	FY 1990 BUDGET AUTHORITY	FY 1991 G-R-H BASELINE	FY 1991 SEQUESTER ($36 B)	BASELINE LESS SEQUESTER	FY 1991 PRESIDENT'S BUDGET
Chapter 1	$5,183.8	$5,401.5	$696.8	$4,704.7	$5,604.3
Chapter 2	487.9	508.4	65.6	442.8	506.7
Mathematics and Science Education	135.6	141.3	18.2	123.1	230.0
Drug-Free Schools and Communities	539.2	561.8	72.5	489.4	593.3
Bilingual Education	158.5	165.2	21.3	143.9	175.4
Impact Aid	732.4	763.2	98.4	664.7	660.9
Special Education	2,055.3	2,141.6	276.3	1,865.4	2,137.4
Vocational Education	936.7	976.0	125.9	850.1	936.8
Adult Education	192.8	200.9	25.9	175.0	238.7
Student Financial Aid: Pell Grants	4,804.5	5,006.3	645.8	4,360.5	5,277.0
Student Financial Aid: Work-Study	601.8	627.1	80.9	546.2	601.8
Higher Education: Title III	196.2	204.4	26.4	178.1	214.9
Higher Education: TRIO	241.8	252.0	32.5	219.5	269.7

NOTE: Guaranteed Student Loans and Rehabilitation Services State Grants have special rules under G-R-H and are not reduced by the fixed percentage.

REGIONAL LABORATORIES

Question: In your research and statistics account, you are requesting $1 million for the Rural Education Laboratories. Last year, we funded this program at $6 million in budget authority. You state in the Education Department budget document that you are increasing support for the Regional Education Laboratories. This statement is only true if one includes the carry-over of budget authority we provided last year, isn't it?

Answer: This statement is true when actual obligations for laboratory services during contract years, rather than Government fiscal years, are considered. The nine Regional Educational Laboratories have been funded at increasing levels since 1987 to carry out rural education activities. However, the laboratory contract performance dates do not coincide with Government fiscal years, nor are the performance periods the same for the core laboratory contract activities and the special rural activities. The 12-month performance period for the laboratories' work under their 1989 rural funding ($5.138 million) ends September 30, 1990. Their base five-year contracts expire November 30, 1990, with the last 12 months having been supported with 1990 funding.

Legally, the laboratories' contracts cannot exceed five years without new competition. Therefore, OERI is issuing awards totalling $985,500 for rural activities for the two-month period of October and November, 1990. This will bring the obligations for the 1990 contract year to $23.7 million. Consistent with existing legislation, OERI intends to award the remainder of the fiscal year 1990 rural funds through system-wide recompetition of the laboratory program, resulting in ten new laboratory contracts, which will begin on December 1, 1990. The rural work will be prescribed in the Request for Proposals soon to be issued for the new five-year contracts.

Accordingly, the Department of Education is requesting a 1991 budget that will allow actual contract awards for the laboratories to be raised from $23.7 million to $24.9 million to accommodate the rural education work as part of the ongoing laboratory program.

Question: How much budget authority of the $61 million research item are you requesting for the Education Laboratories, including $1 million for the rural labs?

Answer: Rural education work will be integrated into the total scope of work for the ten newly competed regional laboratories beginning December 1, ~~1990~~. We are requesting $20 million (including $251,000 for laboratory evaluation) for the laboratory program in 1991. However, the actual amount available for award will total $24.9 million, since $4.9 million from 1990 rural monies will be included. For the total awards, one-quarter of the effort will have to be devoted to rural education activities.

Question: How much did the Regional Educational Laboratories receive last year?

Answer: The laboratories received $20.8 million for the activities they carried out during fiscal year 1989 and $23.7 million for the activities they are conducting during fiscal year 1990.

PACIFIC BASIN REGIONAL LABORATORY

Question: Out of the $20 million in requested budget authority, you plan to add a 10th laboratory for the Pacific. So, in reality, you are not adding funds to increase the laboratories' budget, are you?

Answer: During 1991, the laboratory program will support awards totalling $24.9 million, the highest level ever for the program. This amount, a $1.3 million increase over the amount awarded to laboratories for their activities during the prior 12 months, is sufficient to fund the new laboratory for the Pacific Basin and to maintain the funding level available to operate the other nine laboratories.

REDUCTION OF 1990 PELL GRANTS FOR SEQUESTRATION

Question: Your budget request does not include sufficient money for full funding of a maximum Pell Grant of $2,300 next year. Some $66.5 million would be needed to provide this funding, in addition to the amount requested for making up previous shortfalls. This $66.5 million shortage means that 14,000 students would lose their grants, and more than one million would each receive a smaller average grant. Why hasn't the Administration requested enough to fund the Pell program?

Answer: The Administration and the Congress have agreed on the necessity to reduce the deficit by meeting yearly deficit reduction targets. To meet the 1990 target, a small Gramm-Rudman across-the-board sequestration of discretionary programs was enacted. As with all other such programs, the Department will not seek a supplemental Pell Grant appropriation for the 1990 fiscal year for the purpose of "restoring" the 1990 sequester amount because to do so would violate the spirit of this year's reconciliation act.

However, the Department is minimizing the negative impact of the reduced funding level for the 1990-91 award year by requesting, in the fiscal year 1991 budget, those additional funds needed to pay students at the Pell Grant program full-funding cost estimate minus the sequester of $66.5 million. Only $4.673 billion of the fiscal year 1990 appropriation is available for awards in the 1990-91 award year because $131 million of the 1990 appropriation is designated for unfinanced costs in the 1989-90 award year. Therefore, the Department has requested an additional $106 million in its fiscal year 1991 Budget Request to fund the difference between the available appropriation and the estimated program cost at the postsequester level of $4.779 billion.

QUESTIONS SUBMITTED BY SENATOR WARREN B. RUDMAN

EFFECT OF BASE CLOSINGS ON IMPACT AID PAYMENTS

Question: Senate Report 101-127 directed the Secretary of Education, in consultation with the Secretary of Defense, to submit to the Committee no later than March 1, 1990, a report on the fiscal year 1991 impact of the Base Closure and Realignment Act on Impact Aid payments to school districts. Specifically, the report directed the Secretary to provide: a listing of specific school districts which will be affected by base closures or realignments during FY 1991; estimates of the number of children involved in each of the affected school districts; and the likely effect on Public Law 81-874 payments for each of the affected school districts, including any potential loss of payments resulting from changes in the percentage of federally-connected students in individual districts and the concomitant changes in per-student payment levels. Do you anticipate being able to meet the timetable for submission of the report?

Answer: The report on the fiscal year 1991 impact of the Base Closure and Realignment Act on Impact Aid payments was submitted to the appropriations committees on March 7, 1990.

PEASE AIR FORCE BASE CLOSURE

Question: Pease Air Force Base in Portsmouth, NH, is one of two defense facilities slated for closure during FY 1991, with most personnel being moved out during the summer of 1990. How many students will be affected in the Portsmouth School District during FY 1991, resulting from the closure of Pease, and what is the expected impact on Portsmouth's PL 81-874 payments?

Answer: The Department of Defense has provided a tentative schedule for transferring military personnel from Pease Air Force Base. A total of 1,763 children are scheduled to be relocated by March 1991. The relocation will begin in April 1990 and, by September 1990, 955 children are scheduled to depart from school districts serving children associated with Pease AFB. While DoD did not identify the school districts that these children attend, we know that most of the children associated with the base attend Portsmouth schools and reside on Federal property, presumably in base housing. Under the Impact Aid program, such children are described as "a" children.

Based on the number of "a" children and the percentages they make up of the total enrollment in the district, we estimate that Portsmouth's 1990 "a" payment will be $2.36 million. Based on the data provided by DoD, we have computed an estimate of Portsmouth's fiscal year 1991 Impact Aid payment. We have assumed that all 955 children leaving the base by next September will be "a" children from the Portsmouth school district. Because the district's percentage of "a" children would be about 7 percent for 1991, compared to 32 percent for 1990, not only would payments be made on the basis of fewer children but the rate of payment would decline. We estimate that the district's 1991 payment would be about $179,000. If funds are provided for "b" payments and Portsmouth's number of "b" children remains the same, the district would receive about $21,000, approximately the same as its anticipated 1990 "b" payment.

FUNDING FOR SECTION 3(e)

Question: Your FY 1991 budget request does not include funding for section 3(e) of the Impact Aid statute, which provides for a gradual adjustment in Impact Aid payments to school districts that experience substantial decreases in Federal activities. This section authorizes adjusted payments for a three-year period to a school district whose number of federally connected children decreases by at least 10 percent from one year to the next as a result of reduced or eliminated Federal activities. Why were no funds requested for section 3(e) in FY 1991?

Answer: Based on preliminary information the Department has received from the Department of Defense, the effect of military base closings on the Impact Aid program in fiscal year 1991 will be minimal. Further, those districts that will be affected by closings will have adequate time to make preparations. For these reasons, the Department did not request funding for Section 3(e) for fiscal year 1991.

Question: What level of appropriations would be required to provide transitional assistance under section 3(e) to school districts impacted during FY 1991 as a result of base closures?

Answer: According to a preliminary schedule from the Department of Defense, only one base involving the transfer of children -- Pease Air Force Base in Portsmouth, New Hampshire -- is currently scheduled to close during fiscal year 1991. Most of the children associated with the base attend the Portsmouth schools.

Section 3(e) payments are based on the level of "b" payments. If funding is provided for "b" payments at approximately the same level as in fiscal year 1990 and Section 3(e) is funded, based on the data currently available we estimate that Portsmouth's FY 1991 payment under Section 3(e) would be approximately $119,000.

Question: If Congress were to fully fund section 3(e) during FY 1991, what level of assistance would the Portsmouth, NH, school district receive under Section 3(e).

Answer: Based on current information, the Portsmouth school district would receive an estimated $119,000 under the existing statute.

DEFAULT REGULATIONS: CONSUMER DISCLOSURE REQUIREMENTS

Question: In response to concerns raised over the very high level of student loan defaults--estimated to reach $2 billion during fiscal year 1991--the Department implementation of this regulation is an important step in curbing loan defaults. However, concerns have been raised by two-year colleges concerning implementation of Section 668.44 of the default regulation which requires trade, technical or career schools to disclose specific consumer information data. Failure to fully disclose such data or to misrepresent the data disclosed may result in an action to limit, suspend or terminate the school from participation in the student financial aid programs. Is the timetable (final publication June 5, 1989, implementation December 1, 1989) realistic?

Answer: Yes. Although the effective date for the June 5, 1989 regulations was July 22, 1989, the implementation date for requiring consumer information disclosures was postponed until December 1, 1990 in order to give institutions enough time to prepare for this requirement. Institutions were initially notified about this proposal when it was published as a notice of proposed rulemaking on September 16, 1988.

Question: Can two-year colleges reorganize their data collection procedures in order to provide the required information in such a short time span?

Answer: Since some of the consumer data related to job placement rates or completion rates may be difficult for some schools to obtain initially, we have recently notified all schools that sample data, rather than complete survey data, may be used during the initial year of implementation.

Question: Is there any flexibility built into the regulation to permit waivers of these requirements on a case-by-case basis or otherwise to enable colleges adequate time to ensure that the information being reported is accurate?

Answer: The use of sample data during the first year of implementation should provide some flexibility to colleges initially. Colleges will then have time to develop a complete and accurate data base by the time complete information must be reported in December 1990.

DISCLOSURE PROVISIONS APPLICABLE ONLY TO VOCATIONAL PROGRAMS

Question: Vocational training, more often than not, is only a portion of the overall mission of many two year colleges. To the extent that the regulations impose a strictly vocational role on two-year colleges, do they fail to recognize the varied reasons for attending a two-year college and the importance of educational flexibility which will prepare students for a broad range of career choices?

Answer: Some two-year colleges have apparently misunderstood the regulation. The consumer information disclosure provisions do not apply to an institution's entire student body, but only to those students enrolled in strictly vocational programs. These new requirements do not apply to students in liberal arts or general education programs, because such curricula are not designed to prepare students for a particular vocational, trade or career field. Thus, the regulation does not "impose a strictly vocational role on two-year colleges."

Question: For those colleges which provide a broad-based education, is placement in a specific career track a good measure of the college's success or failure? If not, how do the regulations address this problem?

Answer: The new disclosure requirements do not apply to a program that is primarily intended as preparatory for, and acceptable toward a baccalaureate or equivalent level degree (e.g. an Associate of Arts degree program offered by community colleges), as distinguished from a course of study designed to provide for a specific trade or career.

REPORTING WITHDRAWAL AND JOB PLACEMENT RATES

Question: The regulation requires institutions to document student withdrawals and to disclose them to the public. Are all withdrawals perceived negatively or do the regulations provide a means of recognizing that there may be positive reasons for a student withdrawing prior to completion of a specific educational program, such as an early transfer from a two-year to a four-year college program?

Answer: Colleges are only required to disclose the withdrawal rates of students who are enrolled in programs that will prepare them for a specific trade or vocational skill that does not require a bachelor's degree. These students are not likely to withdraw in order to transfer to a four year college program. One positive reason for withdrawing early would be for employment in the trade the student has been learning. This factor would be taken into account in the school's job placement rate, which must also be provided to prospective students.

Question: Is this an area which can be readily quantified in a two-year college atmosphere which offers a variety of career, vocational and educational courses?

Answer: Since the disclosure requirements only apply to students pursuing vocational training programs, withdrawal rates and job placement rates should not be too difficult to quantify, and would not misrepresent the school's record.

FLEXIBILITY IN REGULATORY REQUIREMENTS BASED ON INSTITUTIONAL DEFAULT RATES

Question: Is there any means of providing flexibility in the application of the regulation if an institution's default rate is very low?

Answer: There are a number of requirements that apply to institutions with default rates that exceed 20 percent that would not apply to schools with lower rates. If the default rates exceed 30 or 40 percent, the required default reduction procedures become even more stringent. However, there are two requirements that apply to schools, regardless of their default rates: entrance counseling and consumer disclosure for vocational programs.

DISCLOSURE REQUIREMENTS CONSISTENT FOR ALL NON-BACCALAUREATE VOCATIONAL TRAINING

Question: Would a two-year college with a default rate under 10 percent be required to comply with the same type of disclosure information as a proprietary school with a default rate over 50 percent?

Answer: Yes, but this should provide an advantage to the school with the 10 percent default rate. A prospective student is more likely to attend the school with the lower default rate, because its job placement and program completion rates are more likely to be much more favorable than the school with the 50 percent default rate. The Department will be publishing this information about all schools, so that prospective students can compare the record of competing institutions.

Question: Does the consumer disclosure portion of this regulation differentiate between the two types of institutions?

Answer: The regulation does not differentiate between schools based on default rates, however, the consumer disclosure requirements are not likely to apply to a significant number of the programs offered by a two-year college. On the other hand, almost all the programs offered by a proprietary school will be subject to the disclosure requirement because they primarily offer non-baccalaureate vocational training.

DEFAULT MANAGEMENT AND PREVENTION TRAINING

Question: What is the Department doing to resolve confusion which exists in the field over the implementation of the regulation and to provide technical assistance to colleges attempting to comply with the regulation?

Answer: The Department will expand its efforts to provide default management and prevention training. The Department's fiscal year 1991 budget includes a request for additional personnel to provide default-related training to schools, lenders, and guarantee agencies. The Department will also publish information about innovative and exemplary default prevention practices by lenders, schools, and guarantors. The "What Works in Default Prevention" booklet will be published in March 1990.

SPECIAL INSTITUTIONS

HOWARD UNIVERSITY

STATEMENT OF DR. CARLTON P. ALEXIS, PRESIDENT

BUDGET REQUEST

Senator **HARKIN**. We will now hear from Howard University, Gallaudet University, the National Technical Institute for the Deaf, and the American Printing House for the Blind.

The fiscal year 1991 request for Howard is $185,446,000. Howard University has 18 schools and colleges and maintains a comprehensive program offering degrees at the undergraduate and graduate levels. Dr. Carlton Alexis, president of Howard University, will be testifying today.

A total of $74,047,000 has been requested for Gallaudet University, a private, nonprofit educational institution providing elementary, secondary, college prep, undergraduate, and continuing education for the deaf. Dr. I. King Jordan, president of Gallaudet, is testifying.

The National Technical Institute for the Deaf is a residential facility providing postsecondary technical training and education for deaf individuals. Their request is $37,531,000. Federal funds represent about 83 percent of NTID's total budget. And testifying today is the director, Dr. William Castle.

The American Printing House for the Blind is the oldest private, nonprofit organization of its kind in the United States. It is the world's largest publishing house specializing in printing braille and in manufacturing materials for educating visually handicapped students. Their request is $5,901,000. Dr. Tuck Tinsley, president of the American Printing House for the Blind, is testifying.

PREPARED STATEMENT

Let me welcome you all here today. Your full statements will be made a part of the record. I will go in the order in which you were introduced, not in any order of priority I want you to understand, only in the way that my book is organized. OK? So, first we will hear from Dr. Alexis, president of Howard University. And if you would all just summarize your statements, maybe just highlight what you think are the one or two or three points you think are most important for me and for my staff to know, I would certainly appreciate it.

Dr. Alexis?

[The statement follows:]

STATEMENT OF CARLTON P. ALEXIS

Mr. Chairman and Members of the Committee:

On behalf of the Howard University community and the Administration, I am pleased to appear before you to present the Federal appropriation request for Howard University for fiscal year 1991.

The Administration is requesting, on behalf of the University, a Federal appropriation of $185.4 million for fiscal year 1991, which provides an increase of $3.0 million or 1.6 percent over the appropriation for fiscal year 1990. The increase is in support of the matching endowment program.

Academic Programs

A Federal appropriation of $155.3 million is requested for the academic programs, a level that is equal to the fiscal year 1990 appropriation. These funds, along with those ultimately realized from currently anticipated non-Federal revenue, will be used to maintain obligatory expenditures for fiscal year 1991. In FY 1991, the university will continue to focus on management improvements, accreditation deficiencies, enhancement of the physical plant and academic program, and support for student services. Beginning in academic year 1990-91, the University will implement the first phase of a 3-year plan to add a surcharge to the tuition rate for international students.

Endowment Program

A $3 million increase over the fiscal year 1990 appropriation level will allow the university to continue its effort to build its endowment by increasing the Federal matching component of the program.

In recognition of the need to increase non-Federal revenue sources, the University will accelerate its efforts to identify new sources of financial support.

Research

The University's research appropriation request is $4.73 million, which is the same as the fiscal year 1990 appropriation. These research funds will support the continued progress of our graduate and professional programs.

Howard University Hospital

The fiscal year 1991 request for Howard University Hospital is $20.9 million, which is the same as the 1990 appropriation.

I express the deep appreciation of the Howard University community to the Committee for its support in the past years and our desire for your continuing support in the future.

I will be happy to answer questions that you or members of the Committee may have concerning our request.

CONSTRUCTION AND RENOVATIONS

Our most urgent and pressing needs are to construct (1) a new School of Law Center, (2) a Comprehensive Science Building, (3) a Health Sciences Learning Resources Center, and (4) a University Computer Center.

School of Law Center - $41,000,000

The School of Law, currently located on the West Campus, has been deemed by the American Bar Association (ABA) and the Association of American Law Schools (AALS) to be inadequate with respect to its classrooms and library facilities.

The ABA says that "there are no real solutions to the space problem of the library without a new physical plan." The AALS states that, "It can only be emphasized that space needs are a primary part of both redesigning a law school program and providing adequate facilities for the Law School Library. It is essential that planning for the new facility move forward immediately, with proper input from the Law Librarian, so that the administration implements a building program as soon as possible."

An external consultant retained by the University has recommended that the University undertake to build a totally new facility designed for legal education, since the library cannot be expanded and the current classrooms cannot be reconfigured to meet contemporary accrediting standards.

The University plans to use its bond issuing authority to finance the School of Law Center.

Comprehensive Science Building - $60,000,000

A modern structure is needed to accommodate instruction and research for mathematics, computer sciences, engineering sciences, and basis sciences for Medicine, Dentistry, Pharmacy, Nursing and Allied Health.

The building site is available and preliminary plans and specifications have been developed. The estimated total project cost is $60,000,000. Initial construction could be undertaken with an allocation of $15,000,000 in the first year and the remainder provided over an additional 2-year period.

Health Sciences Learning Resources Center - $15,000,000

The Joint Committee for Accrediting Colleges of Medicine during its February 6-9, 1984, visit to the College of Medicine classified Howard's Health Sciences Library as inadequate. The location of this activity cannot be expanded to meet accrediting requirements. The only alternative is to construct a new facility.

University Computer Center - $7,000,000

The University's computer operations (administrative and academic) are currently accommodated in facilities that are inadequate with respect to size, location and configuration. Explorations of alternatives to existing conditions indicate a need to accommodate the current activity and provide for future expansion. These explorations were conducted by an external consulting firm specializing in this field. In addition, our external auditors have repeatedly cited our need to provide expanded facilities as a means of improving security and workspace.

The site for a new building is available. Plans and specifications have been developed. A new building can be constructed at a total project cost of $7,000,000, not including computer equipment and software. The costs for computer hardware and software can be provided from non-Federal sources.

BIOGRAPHY OF CARLTON P. ALEXIS

POSITION : Executive Vice President, Howard University

BIRTHPLACE AND DATE : Port of Spain, Trinidad, West Indies, June 29, 1929

EDUCATION : New York University, 1953, B.A.
Howard University, 1957, M.D.
Residency (Internal Medicine)
Tripler Army Hospital, 1958-1959
Residency (Internal Medicine),
Bronx Veterans Administration Hospital, 1961-1963
Fellowship in Endocrinology, Georgetown University Hospital, 1963-1964

EXPERIENCE

Present : Interim President, Howard University

1988 - 1989 : Executive Vice President, Howard University

1969 - 1987 : Vice President for Health Affairs, Howard University

1970 : Professor of Medicine, Howard University

1969 : Associate Professor of Medicine, Howard University

1965 - 1968 : Assistant Professor of Medicine, Howard University

1964 - 1965 : Instructor, Department of Medicine, Howard University

ASSOCIATION MEMBERSHIP

Board of Directors/Trustee
: D.C. General Hospital Governing Commission
: D.C. Commission on Budget & Financial Priorities
: American Association for Academic Health Centers
: District of Columbia Hospital Association
: Representative of the D.C. Medical Community,
: Department of Human Resources
: Health Sciences Consortium of D.C.
: Dominion National Bank of D.C.
: Howard University
: Washington Urban League, Inc.
: Sight Savers International

Memberships : American College of Physicians - Fellow
: American Medical Association
: American Society of Internal Medicine
: Association for Academic Health Centers
: D.C. Federation of Clinical Research
: Medico-Chirurgical Society
: Medical Society of the District of Columbia
: National Medical Association
: American Association for Higher Education

HONORS AND RECOGNITIONS : Docteur Honoris Causa, University of Haiti, 1972
Doctor of Science, Georgetown University, School of Medicine, 1980
Alpha Omega Alpha Honor Medical Society, 1957

CERTIFICATION : American Board of Internal Medicine, 1964

MILITARY SERVICE : 25th Medical Battalion, 25th Infantry Division, 1956-1961 (Discharged with rank of Captain)

INTRODUCTION OF ASSOCIATE

Dr. ALEXIS. Thank you, Mr. Chairman.

Let me begin by introducing to you and the committee the incoming president of Howard University, Dr. Franklin Jenifer.

Senator HARKIN. Very good. Good to meet you and I am glad to have you here today, Doctor.

SUMMARY STATEMENT

Dr. ALEXIS. Mr. Chairman and members of the committee, on behalf of the Howard University community and the administration, I am pleased to appear before you today to present the Federal appropriation request for Howard for fiscal year 1991.

The administration is requesting on behalf of the university a Federal appropriation of $185.4 million for fiscal year 1991, which provides an increase of $3 million, or 1.6 percent over the appropriation for fiscal year 1990. This increase is in support of the matching endowment program.

Mr. Chairman, in keeping with your request that we summarize, I would only add that our academic program, our research program and the Howard University Hospital are being even-funded from fiscal year 1990 to fiscal year 1991.

I express the appreciation of the university community for this opportunity, and I would be most pleased to answer your questions.

Senator HARKIN. So, it is equal to the fiscal year 1990 appropriation, $155.3 million?

Dr. ALEXIS. Yes, sir.

Senator HARKIN. The increase of $3 million is just for the endowment.

Dr. ALEXIS. Yes, sir.

Senator HARKIN. I just wanted to make sure I understood that. I think I may go through all of the statements and then we will come right back here for questions, if that would be OK.

Dr. ALEXIS. Yes, sir.

GALLAUDET UNIVERSITY

STATEMENT OF DR. I. KING JORDAN, PRESIDENT

SUMMARY STATEMENT

Senator **HARKIN**. Next, Dr. I. King Jordan, president of Gallaudet University.

Dr. **JORDAN**. Yes, sir; I appreciate the opportunity to testify this morning. I assume that my complete written testimony will be entered in the record as well.

Senator **HARKIN**. Yes.

Dr. **JORDAN**. Thank you, sir.

I am very happy to be here on behalf of Gallaudet and especially pleased to be joined again by the chairman of our board of trustees, Mr. Phil Bravin.

It is 2 years since I became president at Gallaudet University, and I am happy to report that momentum has not decreased at all in that time. If anything, things have increased. Gallaudet continues to record a number of firsts.

For example, you yourself participated in the Deaf Way, an international conference and festival that brought more than 5,000 people from 80 different countries to the Washington, DC area and the Gallaudet campus to celebrate deafness.

U.S. News & World Report again ranked us among the top small liberal arts universities in the area, ranking our faculty first, our academic reputation first, and overall program No. 2.

Four new members were elected to our board of trustees during the last year. They all bring with them their own special expertise, but I would like to talk briefly about each one. One is a businessman who operates a multimillion dollar corporation here in the Washington, DC, area. Another is a partner in a CPA firm from California. Another is a director of the federally funded research and training center on deafness in Arkansas. The last is an internationally known linguist. All four happen to be deaf.

Two are Gallaudet University alumni. Two never attended Gallaudet, but went to other programs for both their baccalaureate and advanced degrees. It also happens that two are minorities and one is a woman.

The addition of these new board members is in keeping with the Commission on Education of the Deaf [COED] recommendation on achieving a deaf majority on the Gallaudet board of trustees.

In addition, we have been working toward compliance with a number of other COED recommendations. For example, we have better focused the outreach and dissemination of precollege programs. We have submitted detailed specifications for our research plans to the Department of Education, and we have increased the tuition surcharge for international students.

During the past year, we implemented a major reorganization at Gallaudet that reduced the number of vice presidents from five to three and at the same time decentralized some administration responsibilities. I also recently announced to the campus that the university will reduce total staffing by 2 percent a year for the next 5 years.

Gallaudet University is a very exciting place to work and with the continued support of the Department of Education and the Congress, we will continue to achieve our goals and carry out our mission. In that light, I testify today in full support of the administration budget request. The total request is, as you said, $74.047 million. That represents an increase in operations of $3.89 million, an increase of $14,000 in the endowment matching grant, and $2.5 million for construction.

The increase in operations will allow us to continue to compensate faculty and staff at an appropriate level. It will also enable us to establish and expand programs in areas we have identified as priorities.

The increase of $14,000 in the endowment matching grant or challenge grant, as we call it, will bring that program back to the $1 million level. I am very happy to report that in the first 2 years of that program, we matched the full grant from the Federal Government. We have almost raised enough money to match the fiscal year 1990 grant, and we are confident that we will match the $1 million in fiscal year 1991.

The final request is for construction. Last year we did a comprehensive space analysis at Gallaudet University, and it is very clear that we need more space. In addition, the main classroom building at Gallaudet is more than 30 years old and very badly in need of repair. We are asking the Federal Government for $2.5 million a year for the next 3 years for construction and renovations and are committed to raising an equivalent amount ourselves.

PREPARED STATEMENT

I thank you for the opportunity to testify this morning, and I would be happy to respond to your questions.

Senator HARKIN. Thank you very much, Dr. Jordan.

[The statement follows:]

STATEMENT OF I. KING JORDAN

Mr. Chairman and Members of the Committee:

I am very pleased to come before you today at the end of my second year as President of Gallaudet University. This year has been one of accomplishment for Gallaudet and for the world deaf community. In July, we sponsored the Deaf Way, an international festival and conference on the language, culture, and history of deaf people. This conference, which focused on the accomplishments of deaf people rather than on the limitations of deafness, attracted more than 5,000 people from 81 different countries. These people attended lectures, workshops, and theatrical and other presentations during the week-long event. The University was able to attract substantial private funding to support the Deaf Way, and I believe that the event has made a significant contribution to the development of the deaf community, both in the United States and throughout the world.

I also come before you today to reaffirm my belief that, with the cooperation and support of the Congress and the Department of Education, we will continue to be able to achieve our goals and fulfill our mission. That mission continues to be to provide the best possible higher education to deaf students in our university programs, to provide the most innovative and effective national demonstration programs in our elementary and secondary schools, to be a world leader in research related to deafness, and to conduct outreach and advocacy programs to enhance the lives of deaf people of every age and to increase their potential and level of participation in American society.

Budget Request for Fiscal Year 1991

I testify today in full support of the Administration's budget request for Gallaudet University. The budget request of $74.047 million for Gallaudet University includes an increase for operations of $3,890,000. These funds will be used for compensation improvements. In addition, we will be establishing or continuing development of several new instructional programs. Also requested is an increase of $14,000 in the endowment matching program that would bring it to $1 million. Finally, $2.5 million is requested for construction.

The level of funding proposed in the request, together with projected increases in nonappropriated revenue and the continuing introduction of efficiencies, will allow us to continue moving toward our goal of making our faculty and staff compensation programs competitive with local and national markets and to establish or expand some long awaited and much needed new programs. In particular, we have initiated new graduate programs in clinical psychology and social work, and these will be fully funded in 1991. Program development for the Ph.D. in clinical psychology is proceeding with a start-up date of the fall of this year. In addition, we are initiating a new Ph.D. program in the education of the deaf. Finally, we will be establishing a Center for Excellence in Learning and Teaching and other programs to improve the assessment of student performance and to enhance the professional development of faculty and staff. The funding level proposed in the President's fiscal year 1991 budget will allow us to launch or expand these programs as well as to provide needed improvements in our faculty and staff compensation systems.

I testified last year that we have been working to implement recommendations of the Commission on Education of the Deaf. In particular:

1. Our Board of Trustees has adopted a resolution that will lead to a deaf majority on the Board, and we have added four new members during the past year, all of them deaf;
2. We have increased the tuition surcharge for international students;
3. We have developed detailed research plans and have submitted them to the Department of Education for review; and,
4. We have improved the outreach and dissemination activities of our pre-college programs.

Reorganization

During the past year, we completed a reorganization designed to increase the responsibility of the chief academic officer, the Provost, enhance the status of the chief development officer, and reduce the number of senior administrators. As a result, two vice presidential positions were eliminated and the number of people reporting to the President was reduced. In addition, we have initiated a plan to reduce overall employment by 2 percent a year for the next five years, thereby increasing efficiency while ensuring our ability to maintain a competitive compensation system. Finally, one of my highest priorities is to increase our level of support from the private sector. Due to increased revenue from grants and contracts, gifts and private grants, endowment, and contributions to the Deaf Way, we were able to reduce our dependence on the Federal appropriation from 75 percent of funding from all sources in fiscal year 1988 to 72 percent in fiscal year 1989.

University Programs

The focus in our University program in fiscal year 1991 will again be upon excellence and productivity--excellence in teaching and student performance and productivity in the lives of our graduates. In order to promote this objective, as I stated earlier, we will be establishing a Center for Excellence in Learning and Teaching. This Center will draw together resources from around the University dedicated to the support of quality instructional programs. At the same time, various other units at the University will be initiating or expanding efforts to improve student assessment and professional development for faculty and staff.

In addition, the Master of Social Work program, established in the fall of 1989, will train much needed professionals to supply social services to deaf people. This program is now in partial operation. Additional funds will be applied to make this program fully operational in 1991. Gallaudet will continue development of a Ph.D. program in clinical psychology in order to meet the needs of deaf and hard of hearing people in the area of mental health services. The program has been partially funded and will be launched in the fall of 1990. Our faculty has also identified the need for a terminal degree program for educators of the deaf and plans for this program are under development.

In the areas of research and outreach, I am committed to programs designed to meet the needs of expanding constituencies. Gallaudet will continue to seek funding for expansion of these programs from than Federal appropriations. However, I believe that in order for Gallaudet to maintain quality programs in these areas on an ongoing basis, we need to retain a funding base anchored in our appropriation.

Model Secondary School for the Deaf and Kendall Demonstration Elementary School

A unique feature of Gallaudet University is the existence of its two pre-college programs--the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES). Both schools continue to develop exemplary instructional programs, conduct research, and develop and disseminate materials for both mainstream and special school settings. During fiscal year 1989 and continuing into fiscal year 1990, the pre-college programs are focusing on their dissemination and outreach activities. These efforts include expanded market research, development of new brochures and catalogues, and appointment of a Director of Outreach Services. During fiscal year 1990, we will be implementing enrollment plans to guide the development of the schools in 1991 and beyond.

Endowment Matching Program

Under my administration, Gallaudet remains committed to increasing the proportion of funding that comes from sources other than the appropriation. The endowment matching program has proved very useful to us in convincing potential donors to support the University financially. During the first two years of its existence, we were able to match the available funds and have already nearly matched the full amount for fiscal year 1990. We look forward to the continuing challenge of increasing our endowment funds.

Construction

During the past fiscal year, the University completed a space utilization and facilities planning process that identified a critical need for renovating and expanding the largest classroom building on the Kendall Green Campus. This is the Hall Memorial Building, which was built in 1958. The building has been deteriorating and is in need of major renovation. In addition, the space utilization study identified the need for additional space to house the Gallaudet Research Institute and the expanding graduate programs in Psychology and Social Work. The total amount needed for these improvements is $15 million over a three year period. We are committed to raising half of the funds needed to effect these improvements in our facilities and have requested support from the Federal Government for the other half.

Mr. Chairman, I thank you for this opportunity to come before you today, and I welcome your questions.

BIOGRAPHY OF I. KING JORDON

NAME : I. King Jordan

POSITION : President, Gallaudet University

BIRTHPLACE AND DATE : Glen Riddle, PA - June 16, 1943

EDUCATION : University of Tennessee, 1973, Ph.D. Psychology
University of Tennessee, 1971, M.A. Psychology
Gallaudet College, 1970, B.A. Psychology

EXPERIENCE (Gallaudet)

Present : President, Gallaudet University, Washington, D.C.

1986-3/7/88 : Dean, College of Arts and Sciences

1983-1986 : Chair, Department of Psychology

1982-1988 : Professor of Psychology

1977-1982 : Associate Professor of Psychology

1973-1977 : Assistant Professor of Psychology

HONORS AND AWARDS : Faculty Member of the Month, Gallaudet University Student Body Government, 1987.

United States Comptroller General's Award, 1987.

Outstanding Young Men of America, 1975.

National Defense Act, Title IV Fellowship, University of Tennessee, 1973.

University of Tennessee Non-Service Fellowship, 1971.

Graduated "With Distinction," Gallaudet College, 1970

Phi Alpha Pi Honorary Society, 1969.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

STATEMENT OF DR. WILLIAM E. CASTLE, DIRECTOR

PREPARED STATEMENT

Senator HARKIN. We will now hear from the National Technical Institute for the Deaf. Dr. Castle, welcome and please proceed.

Dr. CASTLE. Thank you very much, and I am pleased to have the opportunity to be here today to present the President's specific appropriations request for the National Technical Institute for the Deaf.

The total appropriations level is $37,531,000: $37,195,000 is for basic operations of the Institute, and an additional $336,000 is for the special endowment fund, which we are expected to match.

There are two important things occurring in the year 1990 that I would like to bring to the attention of the committee. NTID and Gallaudet will be cohosting the International Congress on Education of the Deaf in July and August of this year in Rochester, NY, and in the fall of 1990, we will be admitting international deaf students to the National Technical Institute for the Deaf for the first time.

Senator HARKIN. Thank you very much, Bill. I appreciate that.

[The statement follows:]

STATEMENT OF WILLIAM E. CASTLE

Mr. Chairman and Members of the Committee:

I am pleased to testify in support of the President's 1991 budget for the National Technical Institute for the Deaf.

The National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment. NTID trains professional staff to serve the Nation's deaf population and conducts research into educational achievement, communications, personal/social instruction, and economic and employment aspects of deafness. The 1991 request for the National Technical Institute for the Deaf is $37,531,000, which includes $336,000 to support the endowment matching grant program.

The specifics of the fiscal year 1991 request follow:

Operations

The fiscal year 1991 request of $37,195,000 for operations, which includes funds for services to students, research, training, information dissemination, and special outreach services, would increase funding by 8.2 percent over the 1990 appropriation level. The increase would be used to provide salary and benefit increases for faculty and staff to maintain NTID's competitiveness in the employment market, cover increased operating costs and acquire new equipment. The funds raised by NTID for tuition, room, board, and fees are expected to increase by 3 percent over 1990. The Federal subsidy would continue to constitute approximately 83 percent of total funding in 1991.

Enrollment

The rubella epidemic of 1964-65 doubled the incidence of babies born deaf throughout the United States during that period. The epidemic caused NTID's admissions to increase from a norm of 375 to 587 in fiscal year 1984. This number gradually declined to 377 in fiscal year 1989. Admissions for fiscal year 1990 were 371, which is the second year in a row where the volume was approximately equal to the pre-rubella norm. At the same time, enrollment grew from a normal pre-rubella level of nearly 1,000, to 1,319 in fiscal year 1985. Following the trend of admissions, this level gradually declined to 1,096 in fiscal year 1990. For the fall of 1991, NTID expects to admit approximately 400 new students. This would result in an enrollment level of about 1,100 students, which is 11 percent over pre-rubella levels. With the admission of international students, we expect enrollment would level off to around 1,150-1,200.

Career Development

The education provided at the National Technical Institute for the Deaf transcends that which is typically provided by a traditional technological institution by dealing with personal/social and communication setbacks that the deaf may experience. Through a coordinated system of direct instruction and instructional technology development, and support services such as tutoring, notetaking, and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful. An indication of our success is that, historically, more than 90 percent of our graduates who seek employment have been placed in jobs within eighteen months of their graduation.

Educational Outreach

In fiscal year 1989, the Educational Development Outreach Project programs reached out to audiences it had not previously served. NTID's systematic approach to outreach efforts that address career development needs of deaf people is designed to serve six audiences: employers, deaf adults, parents of deaf children, mathematics and science educators, language development educators, and support services personnel. In its second year, the project launched pilot programs to serve two of its audiences and continued a third effort initiated last year. Other programs currently are in planning stages and will be piloted in future years. During the summer of 1989, three workshops were held at RIT, two for deaf graduates working in the economic mainstream and one for math, science, and resource room teachers serving deaf students in mainstream secondary chool environments.

In addition, a workshop that promotes an understanding of deafness and deaf employees and encourages employers to hire deaf people was made available on a regional basis by NTID's National

Research

Studies performed through NTID'S Department of Communication Research, Department of Educational Research and Development, and Office of Postsecondary Career Studies and Institutional Research benefit deaf students and adults throughout the country. In addition to fulfilling their primary mission -- providing information that can lead to better teaching, training, and curriculum development at NTID -- research findings have an even greater impact when they are applied on a national and international basis.

To ensure that NTID's research departments continue to meet these standards, an institutional framework for research was implemented in fiscal year 1988. "A Framework for Research: Priorities, Models, Principles" established a program that is consistent with the Institute's priorities and allows for greater accountability. Highlights of this year's accomplishments are listed below for each research area.

Center on Employment of the Deaf. This program has been offered consecutively for two years in a row. The workshop was presented to 176 people and was offered for the second time in Chicago, Los Angeles, and Columbus, Ohio, and for the first time in New York City and Seattle. Another outreach program "Working Together: Deaf and Hearing People," a workshop and series of training materials focusing on the supervisor/employee relationship and career development of deaf employees, was presented to personnel representatives and supervisors at companies throughout the country. The program's participants now are able to train others who work with deaf people.

As a way of expanding the impact of outreach activities for deaf adults, NTID recently initiated the establishment of a network of postsecondary programs and rehabilitation agencies serving deaf people. This network, the Council of Directors, is composed of the leaders from Gallaudet University, NTID, and the Regional Postsecondary Educational Programs for the Deaf: California State University at Northridge, the Postsecondary Consortium at the University of Tennessee at Knoxville, Seattle Central Community College, and St. Paul Technical College. In addition, the president of the American Deafness and Rehabilitation Association, the Executive Director of the National Association of State Directors of Special Education, and the chairperson of the subcommittee on deafness of the Council of State Administrators of Vocational Rehabilitation serve as ex-officio representatives.

This cooperative effort allows each institution, program, or organization to enhance its efforts to meet its mandate by reaching out to a variety of audiences and enables each to call upon the collective expertise of the group in accomplishing its goals.

Other NTID outreach programs served a variety of people, including professional interpreters; elementary, high school, and graduate students; professionals who work with deaf people; and people interested in learning more about deafness. In fiscal year 1989, the Institute's various interpreter and notetaker training programs served 321 people. The emphasis of NTID's summer program changed this year from providing basic interpreter training to advanced and specialized training for interpreters already in the profession. A one-week course, "Sign Semantics," was offered on a pilot basis this summer.

The two-year associate degree program in educational interpreting continued to provide training to more than 60 students. This fall, 28 new students enrolled in the program and, thanks to extensive recruiting efforts, six of those students are minorities.

Sunshine Too, NTID's professional touring theater company, entertained and educated 67,750 school children and adults in 36 States. This group of deaf and hearing actors presented 605 performances and workshops at a variety of sites, including public schools, schools for deaf students, and colleges.

Explore Your Future, a summer program for deaf high school juniors that promotes career, technical, and personal awareness, attracted 86 students--19 more than last year--from 22 States. There was again this year a healthy representation of minority students--6 percent.

The 100 percent placement rate of the joint educational specialist program, a master's degree program in education sponsored by the Rochester Institute of Technology and the University of Rochester, was maintained.Each of the program's five certified graduates found jobs in which they will serve deaf students. Of the 21 students who enrolled in the two-year program in the fall of 1989, three are deaf.

Numerous training programs were offered by faculty and staff members to professional groups, community organizations, educational personnel, and graduates on topics that ranged from telephone accessibility to sign language proficiency rating, to working with deaf employees.

Thirty-two people from 13 States and Denmark, England, India, and Korea participated in professional, graduate, and special internships in areas that included audiology, counseling, sign communication, and teaching. Seven of the interns are deaf and three are members of minorities.

Nearly 61,000 educational awareness materials, including "Tips for Communicating with Deaf People" and "Answers to your Questions About Hearing Loss," were shared with schools, employers, government agencies, and vocational rehabilitation centers.

More than 5,600 people, including prospective students, special speakers, and foreign officials, visited NTID.

Endowment Grant

Three hundred and thirty six thousand dollars is requested for the endowment matching fund authorized by the Education of the Deaf Act of 1986. NTID will receive these funds as it raises additional endowment funds from non-Federal sources on a dollar for dollar matching basis. In addition, the Institute can spend up to fifty percent of the income derived from the investment of these funds for operations or special programs. The use of the endowment approach is an important step toward decreasing NTID'sdependence on Federal funding in future years. In fiscal year 1989, NTID matched the entire amount appropriated, $198,000, and has raised nearly half of the $322,000 appropriated for fiscal year 1990.

Summary

In summary, the 1991 request will enable the National Technical Institute for the Deaf to continue to pursue its commitment to the achievement of equal opportunities for disabled persons. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their disability, become contributing members of society, and vastly improve the quality of their lives. On the pragmatic side, recent collaborative research between NTID and the Internal Revenue Service shows that graduates of NTID pay back the cost of their education in 10 to 13 years and have lifetime earnings that are 2 to 3 times greater than deaf persons with no degree.

Mr. Chairman, I will be pleased to answer any questions you may have.

BIOGRAPHY OF WILLIAM E. CASTLE

POSITION : Vice President for Government Relations, Rochester Institute of Technology, Director, NTID

BIRTHPLACE AND DATE : Thomas, South Dakota - September 5, 1929

EDUCATION : Northern State Teachers College - 1951, B.S.
State University of Iowa - 1958, M.A.
Stanford University, 1963 - Ph.D.

EXPERIENCE :

PRESENT : Vice President, Government Relations - RIT
Director - NTID
Sept. 1979 : Vice President, RIT
Director - NTID
1977-1979 : Dean and Director, NTID
1969-1977 : Dean, NTID
1968-1969 : Assistant to the Vice President & Director of Division of Instructional Affairs, NTID
1965-1968 : Associate Secretary for Research and Scientific Affairs, American Speech and Hearing Association
1963-1965 : Assistant Professor, Speech Pathology & Audiology, University of Virginia
1961-1963 : Instructor, Speech Correction, Central Washington State College
Summer 1961 : Instructor, Speech Correction, Central Washington State College
1960-1961 : Instructor, English, Experimental Phonetics Lab, Stanford University
1958-1960 : Instructor, Speech Correction, St. Cloud State College
Summer 1956 : Customers Broker, Frank P. Dow Company
1952-1956 : Communications Specialist, United States Air Force
1951-1952 : Secondary Teacher, English & Speech Faulkton High School

ASSOCIATION MEMBERSHIPS : Academy of Rehabilitative Audiology
: Alexander Graham Bell Association for the Deaf, Inc. (Life Membership - currently serves as President Elect)
American Association for the Advancement of Science

ASSOCIATION MEMBERSHIPS
American Association of Community and Junior Colleges
American Association of Higher Education
American Association of Phonetic Sciences
American Association of School Administrators
American Deafness and Rehabilitation Association
American Speech-Language-Hearing Association
American Society for Deaf Children
Association for Equality and Excellence in Education, Inc.
Association on Handicapped Student Service Programs in Postsecondary Education

Conference of Educational Administrators Serving the Deaf, Inc.
Convention of American Instructors of the Deaf
Council for Exceptional Children
Empire State Association of the Deaf
International Society of Phonetic Sciences
Monroe County Association for Hearing Impaired
National Association of the Deaf
National Organization on Disability
National Rehabilitation Association
New York State Speech and Hearing Association
Registry of Interpreters for the Deaf
Telecommunications for the Deaf, Inc.
World Federation of the Deaf

PUBLICATIONS:

Castle, W.E. "Mainstreaming Techniques for Hearing Impaired Students - What Ten Years Have Taught Us." Presented at the First Annual Conference of the Massachusetts Office on Deafness - October 1978

Castle, W.E. "Roads to Independence." Presented at the West Coast Family Outing of the Alexander Graham Bell Association of the Deaf - November 1978

Castle, W.E. "Recent Developments in Vocational Education for the Deaf in the U.S.A." Presented at the 8th World Congress of the World Federation of the Deaf, Varna, Bulgaria - June 1979

AMERICAN PRINTING HOUSE FOR THE BLIND

STATEMENT OF DR. TUCK TINSLEY III, PRESIDENT

PREPARED STATEMENT

Senator HARKIN. And last, Dr. Tinsley, American Printing House for the Blind.

Dr. TINSLEY. Mr. Chairman, I too am pleased to appear before your committee following my first year as president of the American Printing House for the Blind.

In response to your request for a brief opening statement, let me summarize by saying the total request for 1991 for the American Printing House for the Blind is $5,901,000, an increase of $238,000. That is 4.2 percent over what was appropriated for 1990. This account would provide approximately 39 percent of the American Printing House's total sales income, the remainder coming from Federal programs, product sales to State and local agencies, and individual purchases. Private donations and investments provide the remainder of our income.

Senator HARKIN. Thank you very much. I appreciate that.

[The statement follows:]

STATEMENT OF TUCK TINSLEY, III

Mr. Chairman and Members of the Committee:

The American Printing House for the Blind was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and other materials for use by the blind. In 1879, the Congress passed an Act to Promote the Education of the Blind which, as amended, now enables the Printing House to provide educational materials for all blind students below college level throughout the United States, it territories, and possessions. These materials include textbooks in braille and large type, educational books such as braillewriters and microcomputer software and hardware, teaching aids such as educational tests and performance measures, and other special supplies. The total request for 1991 for this programs is $5,901,000, an increase of $238,000 over that appropriated for 1990. This amount would provide approximately 39 percent of the Printing House's total sales income, the remainder coming from other Federal programs, product sales to State and local agencies, and individual purchases. Private donations and investments provide other income. The 1991 request reflects the passage of the Handicapped Programs Technical Amendments Act of 1988, which terminated the American Printing House for the Blind's $10,000 permanent appropriation.

Educational Materials

Of the funds requested for fiscal year 1991, $5,366,000 would be used to supply special educational materials to an estimated 48,180 blind students. This number represents an increase of 1,696 students over fiscal year 1990. Of the 48,180 blind students, 45,761 would be enrolled through educational programs and 2,419 through rehabilitation programs. The per capita allotment for fiscal year 1991 would be $111.37, an increase of $.60 over that for 1990.

Advisory Services

The 1991 request includes $159,000 for expenses for advisory services. This budget category covers the expenses of the two advisory committees which determine what books will be published and what other new materials will be developed. More importantly, however, this budget covers the cost of informing teachers and administrators regarding what materials are available, how they may be obtained, and how they are to be used, as well as the cost of the annual census of blind students.

Educational and Technical Research

The request provides $376,000 for 1991 for educational and technical research. These funds serve as a base to enable the American Printing House to develop needed educational materials in a variety of subject areas such as braille reading and writing, low vision training, and microcomputer applications, and to develop products for special groups such as the multihandicapped blind and preschool blind.

General Information

The APHB continues to serve a growing number of blind students with complex needs who require a wide variety of educational materials. Public Law 99-457, enacted by Congress in 1986, amended the Education of the Handicapped Act to mandate services to all preschool children with disabilities. Programs initiated in response to this law continue to increase the number of students to be served by APHB. In 1991, the American Printing House will continue to focus on the development of new materials to serve blind children from birth through their entry into regular school programs.

Of the 46,484 legally blind students registered for fiscal year 1990, 38,430, or 83 percent, were registered through State Departments of Education, 4,323, or 9 percent, were enrolled in residential schools, 1,397, or 3 percent, were enrolled in separate programs for the multihandicapped, and 2,334, or 5 percent, were enrolled in rehabilitation programs. Among these, 5,471, or 12 percent, were registered as braille readers, 14,370, or 31 percent, as visual readers, 7,034, or 15 percent, as auditory readers, 4,618, or 10 percent as prereaders, and 14,991, or 32 percent, as nonreaders.

New educational materials and teaching aids are developed and produced each year to keep educational programs current for these students, with reprints and reruns of older materials produced as required. Additionally, the American Printing House uses its own funds to maintain a finished goods inventory of over $3 million to ensure timely delivery of special materials to the educational programs.

Significant accomplishments during the past twelve months include the following:

1. A prebraille instruction program for blind students was developed.

2. A cooperative agreement was signed with the Kentucky Department for the Blind to train blind individuals to be proofreaders.

3. APH-DOTS, a program which will greatly increase the number of textbooks available in braille, was introduced. Under this program, volunteer transcribers and agencies submit disks containing computer transcriptions to APHB. APHB uses these disks to emboss interpoint braille copies of the texts which are made available for purchase on demand nationwide.

4. A comprehensive survey of ex officio trustees was conducted to determine areas of satisfaction and dissatisfaction with the products and services of APHB.

5. A Xerox management system is being implemented which provides forecasting information necessary to adjust work processes to maximize resources in a cost-effective manner.

The APHB continues to be committed to meeting the needs of children who are blind through the research, development, and provision of educational materials necessary for their growth and development.

Mr. Chairman, I will be glad to answer any questions concerning the budget request.

BIOGRAPHY OF TUCK TINSLEY, III

POSITION : President
American Printing House for the Blind

BIRTHPLACE AND DATE : Jenkins, Kentucky, July 30, 1946

EDUCATION : Florida State University; Tallahassee, Florida
1968, BS
Florida State University; Tallahassee, Florida
1971, MS
University of Florida; Gainesville, Florida
1982, Ed.D.

EXPERIENCE

1989-PRESENT : President, American Printing House for the Blind, Louisville, Kentucky

1980-1989 : Principal, Florida School for the Deaf and the Blind, St. Augustine, Florida

1981 (6 months) : Interim Principal, Florida School for the Deaf and the Blind, St. Augustine, Florida

1979-1980 : Assistant Principal, Florida School for the Deaf and the Blind, St. Augustine, Florida

1978-1979 : Acting Assistant Principal, Florida School for the Deaf and the Blind, St. Augustine, Florida

1968-1979 : Mathematics Teacher, Florida School for the Deaf and the Blind, St. Augustine, Florida

ASSOCIATION MEMBERSHIP : Association for Education and Rehabilitation of the Blind and Visually Impaired

Council for Exceptional Children and its Division for Visually Handicapped

Council of Executives of American Residential Schools for the Visually Handicapped

PUBLICATIONS : Seventeen professional monographs and articles regarding the blind and visually impaired.

CONSTRUCTION AND RENOVATIONS

Senator **Harkin**. Dr. Alexis, you reported that the university has a great many unmet facility construction and renovation needs. What are the most critical ones as you see it today?

Dr. **Alexis**. The university has been cited by the American Bar Association, which is the accrediting agency for the school of law. Deficiencies are not all physical facility deficiencies, but at the top of the list is a requirement that the institution proceed with dispatch to construct a new building for the school of law. So, that stands at the very top of our needs.

There are needs with reference to a science facility. There is a need for a health sciences learning resources center and facilities for our computer activities. Those are the most urgent and pressing needs.

FOREIGN STUDENT TUITION SURCHARGE

Senator **Harkin**. Last year this committee implemented a tuition surcharge for foreign students. We agreed in conference that it would be implemented over many years so as not to work a hardship because many of these students come from very low income countries and they cannot afford it.

What is happening in the implementation of that policy?

Dr. **Alexis**. Well, we have reached an agreement with the Department of Education to phase in the 50-percent surcharge over a 3-year period. The school year 1990–91 will be year one, and there will be a 10-percent surcharge for international students.

We have reviewed our enrollment trends in terms of international students attending Howard, and we are concerned that the surcharge may, indeed, be counterproductive. Our students are Third World students who are not attending our university on scholarships or financial aid of any type. And, Mr. Chairman, sometime during this year we would like to visit with you to encourage you to revisit that whole matter.

Senator **Harkin**. I think we should revisit that whole thing. And I need to have some good data as to where these students are from, what countries, that kind of thing.

Dr. **Alexis**. We would be glad to provide that.

[The information follows:]

Foreign Student Enrollment

The geographical distribution of foreign students for the academic year 1988–89 is listed below:

Geographical distribution of foreign students for the academic year 1988–89

Location	Number
Africa and vicinity	770
Caribbean	781
North America and Atlantic	104
Central America	8
South America	61
Europe	77
Far East and Pacific	128
Near and Middle East	91
Total	2,020

ALUMNI CONTRIBUTIONS

Senator **Harkin**. I think we do have to look at that.

But the other issue that came up last year was the percentage of the university's alumni that contribute to the university. We have talked about this before.

Dr. **Alexis**. Yes.

Senator **Harkin**. What is happening there?

Dr. **Alexis**. Mr. Chairman, believe it or not, last year the numbers of alumni contributing increased. Some 4,500 alumni gave to the university. The total gifts, however, declined, and the reason for that decline I would imagine was that in calendar year 1989 we did not have any large donors.

It is my understanding that the board of trustees has made as a necessary activity of our incoming president the whole area of fund raising, private sector fund raising, to include at the top of this list alumni. I know that Dr. Jenifer is equal to that task, and I am certain when he testifies next year, he will have good news for you.

Senator **HARKIN**. Good. I just wonder how does that compare with other universities. Do you know how you are comparing with other universities?

Dr. **ALEXIS**. We can look at two kinds of comparisons. If we look at the world, the universe of universities, we are at 10 percent, and the average is somewhere around 20 to 21 percent. If we look at the universe of the HBCU's, the historically black colleges and universities, we are within the pack quite comfortably. So, there are some economic answers to that problem.

Senator **HARKIN**. Very good. Thank you very much, Dr. Alexis. Dr. Jenifer, I look forward to working with you as we go down the road.

ROLE MODELS AS LEADERS AT GALLAUDET

Dr. Jordan, I am glad to see you back again today. We have met on many occasions. I want to congratulate you for again continuing the excellent leadership you have provided for Gallaudet and, indeed, for the broader community in this country.

We have talked of the need in the past for role models, for leadership, to help young people who are deaf to not just succeed, but to indeed excel. You spoke about that in your inauguration ceremony.

What kind of programs have you initiated at Gallaudet to develop this kind of leadership potential at Gallaudet?

Dr. **JORDAN**. Thank you for the question, sir.

As part of the current year, we have established a program called GUIDE, which stands for Gallaudet University Innovation, Direction and Empowerment. This is a program I established as a presidential initiative almost exactly 1 year ago. The program copies the format of community leadership programs, such as Leadership Washington. It selects a group of young professional employees at Gallaudet and gives them opportunities to expand their knowledge, both about Gallaudet and about the community around us. It is really a leadership-shaping program.

At the same time, we have established a number of internships in which young, recent graduates of the university work side by side with vice presidents and deans to learn what actually goes on at the highest levels of administration and learn about management of the university.

For next year, we are requesting funds for a number of what we call excellence initiatives, including the CELT. That is the center for excellence in learning and teaching. That center will pull together a number of different support programs that provide assistance to students whose aim is to excel, but whose preparation before they arrive at Gallaudet may not be quite that good.

COMPETITIVE SALARIES AT GALLAUDET

Senator **Harkin**. That was another one of my questions about the center for excellence in learning and teaching. I am glad you mentioned that.

The 1991 budget provides a 5.8-percent increase for Gallaudet. I note that part of this increase will provide for a 5-percent increase in salaries for faculty and staff.

Again, to what degree are salary and benefit levels at Gallaudet competitive or not competitive with other schools?

Dr. **Jordan**. That has been among my highest priorities, and it is the No. 1 concern at the university. We check every year with the salaries of local universities in the Metropolitan Washington, DC, area, and try very hard to achieve parity. With the projected salaries for academic year 1989–90, last year, we awarded both a salary increase and functional adjustment that achieved parity. So, we were very pleased that, given the projections, we were able to average what the other area universities pay their faculty. It is very important to me that our salaries are competitive.

Senator **Harkin**. So, are you at that point now? Do you feel that you are competitive?

Dr. **Jordan**. I am reluctant to say that we are exactly at parity because we make our increases based on projections. It was before the other universities had made their increases for this fiscal year. But based on the projections, we were exactly at parity.

Now, based on the actual increases that the different universities gave, we do not know for sure because we have not been able to obtain that data yet. However, we are certainly competitive.

CONSTRUCTION AT GALLAUDET

Senator **Harkin**. The budget requests $2.5 million for construction. The Department of Education in its budget justification suggests that the capacity needs of the campus are related to the enrollment of international students at Gallaudet. Is the construction funding needed because of foreign enrollments?

Dr. **Jordan**. No; I believe that is a separate issue. I am not sure those two issues should be combined. We have enrolled international students since the 1800's.

In the space analysis that I referred to, we retained the services of a very well-regarded architectural consultant who interviewed virtually every director level person at the university. This person did a very careful physical analysis of the university's space. He concluded that for our research needs, expanding program needs, and new programs such as those in mental health, social work and psychology, we absolutely had to have additional space.

The Hall Memorial Building—that is the building on which we will add the additional space and will renovate—was built in the 1950's. It has never really been renovated, and I am sad to tell you that when it was built, it was not built for deaf people. It was just a regular classroom building.

As you know, I graduated from Gallaudet. I took chemistry and biology in labs that were not designed for deaf people, where deaf people simply couldn't see the instructor giving the lectures and so forth. We intend to completely revamp the interior of that building.

Really, it has nothing to do with international students.

DEAFNESS IN THE AGING POPULATION

Senator **Harkin**. I am glad I brought that up then.

One last thing. Our population is aging. There is going to be an increasing number of people with hearing loss. Again, we are going to have to have strategies to deal with this.

Are you looking at that issue? Are you doing anything at Gallaudet to address this?

Dr. **Jordan**. Absolutely. I like to think we are right on top of that problem. We recognize the rapidly growing population of senior citizens with hearing loss. For a number of years, we have had a program during the summer called Elder Hostel. This is part of a national program. Elder Hostels are week-long programs that provide educational and social opportunities for senior citizens. We have a special program that also provides persons coming to Gallaudet with information about deafness.

It is interesting because there are two very separate groups of older deaf people. There are old people who are becoming deaf, and there are deaf people who are becoming old. Their problems and the issues they face are very different. However, we sometimes pull them together and let them talk to each other. It is a wonderful educational opportunity for them all.

This spring, in May I believe, we are having a national conference on "Hearing Loss in the Elderly Population." That may not be the exact name of the conference, but it is for older people. I remember it is subtitled "Sound Advice for the 1990's." I expect that it will be a very important conference. We already have commitments from some of the leading people in the field to come and speak at that conference, and we are hopeful that staff people from Congress, the aging committees, will attend the conference too. It will be here in Washington.

Senator **Harkin**. In May?

Dr. **Jordan**. In May.

Senator **Harkin**. Thank you very much, Dr. Jordan.

Dr. **Jordan**. Thank you.

CONSORTIUM FOR LOW-ACHIEVING DEAF ADULTS

Senator **Harkin**. Dr. Castle, now going to NTID, Gallaudet's companion school. NTID has been very active in developing outreach activities for low-achieving deaf adults. It was named as one of the institutions that has expertise in this area. The 1990 bill provided $900,000 for a consortium to provide outreach in this area to low-achieving deaf adults that would be awarded by the Department of Education.

How did that work, and how much is in your 1991 budget for outreach for low-achieving deaf adults?

Dr. **Castle**. That particular part of the appropriations, while under NTID, is being managed by the Department of Education. What has been done with it thus far, I cannot tell you. Someone from the Department would be in a better position to do that.

No funds are included for this project in the 1991 appropriations request. That was the decision of the Department. Since the management of this project is not in the hands of NTID and was placed in the Department, we left that to their discretion.

Senator HARKIN. Are you going to compete for this money from the Department of Education?

Dr. CASTLE. We do not have any intention of competing for any of that money. We do intend to help other institutions that want to compete for those dollars.

Senator HARKIN. Why aren't you going to?

Dr. CASTLE. We believe that, though we have some knowledge about the low-functioning deaf, it is not our institution's primary expertise. We believe that these dollars should be spent by other institutions that are dealing directly with the low-functioning deaf.

Senator HARKIN. Excuse me just a minute here. [Pause.]

I have some questions for Dr. Davila on this for this afternoon. This is something that I became interested in from talking to both you and Dr. Jordan in the past. Many low-achieving deaf adults out there need help in receiving the kind of skills they need to get entry level jobs. And I want to make sure that we have an outreach program for these people, and that it is operating effectively.

Dr. JORDAN. Mr. Chairman, Gallaudet works closely with NTID and the directors of the postsecondary education programs for the deaf funded by the Federal Government. We have a small group we call the council of directors that works to develop plans for the expenditure of funds that were appropriated last year. We will continue to cooperate in this manner. However, I agree with Dr. Castle that we have some expertise, but it is not our area of concentration. We will work to assist the projects in any way we can. We recognize that low-functioning deaf adults are a very significant area.

Senator HARKIN. I will ask Mr. Davila this afternoon.

Dr. CASTLE. I think, Mr. Chairman, the Department has yet to release the requests for proposals on the $880,000 available for these projects.

VALUE OF NTID'S ENDOWMENT

Senator HARKIN. I will find out more about that this afternoon too.

What is the current value of your endowment? You requested $336,000.

Dr. CASTLE. The current market value of our endowment is approximately $866,000, but we may only use up to one-half of the interest generated by this fund.

Senator HARKIN. Could you match a higher number than $336,000?

Dr. CASTLE. We believe we could, since we matched the amounts appropriated for the first 2 years of the program while the Department added $14,000 to the appropriation level for last year, I believe we could match an even higher level.

COMPETITIVE SALARIES AT NTID

Senator **Harkin**. Let me ask you the same question I asked Dr. Jordan about your salary structure. We directed the Department to investigate and submit a report concerning salary increases. What is your position on that report?

Dr. **Castle**. We submitted a special document to the Department of Education, which I will be happy to submit to you for the record as well. Our rationale with respect to that question includes three points: legal considerations, political considerations, and the interest in remaining competitive, just the same as Gallaudet University is interested in remaining competitive.

The legal consideration is the agreement that was established between the Rochester Institute of Technology and the Department of Education when RIT first took on the responsibility of NTID. That tied the operations policies of NTID to the basic policies of the host institution.

The political consideration is the factor of morale among our people if they were to be granted salary levels that would be less than those on the rest of the campus.

And last, we want to remain competitive with other institutions.

Senator **Harkin**. Will you please submit your report in full to the record?

Dr. **Castle**. Yes; I will. Yes.

Senator **Harkin**. Thank you.

[The information follows:]

EFFECT OF AGREEMENT WITH RIT ON SALARY INCREASES

The 1990 Senate Report directed the Department of Education to submit a report to the Committee on how the general provisions of the Federal Government's agreement with the Rochester Institute of Technology for the operation of the National Technical Institute for the Deaf relate to salary increases. That report and the supporting documents submitted by NTID follow.

Analysis of the Agreement Between the Federal Govermnent and the Rochester Institute of Technology for the National Technical Institute for the Deaf

The purpose of this report is to analyze the provisions of the Department's agreement with the Rochester Institute of Technology (RIT) to operate the National Technical Institute for the Deaf (NTID), historical data on salary increases, and the legal context in which NTID operates to determine whether the agreement between the Federal Government and the Rochester Institute of Technology requires NTID to provide salary increases identical to those provided by RIT.

BACKGROUND

The National Technical Institute for the Deaf cites the following general provisions of paragraph IX of the 1966 agreement between the Department of Health, Education, and Welfare and RIT in support of its contention that it is required to provide the same salary increments as RIT:

> "Except as otherwise herein provided, in the construction, equipment, and operation of the Institute, the Sponsor shall observe and be guided by its normal institutional practices which govern the operation of its education institution and will furnish to the Secretary, if requested by him, justification for such variances from the Sponsor's normal fiscal practices because of the special nature of the Institute or the special types of services rendered."

Additional support is contained in the "Policies, Guidelines, and Application Procedures" developed by the National Advisory Board on the Establishment of the National Technical Institute for the Deaf. This document is incorporated by reference by section II of the Agreement and states that:

> "All contemplated and budgeted items for salaries, travel costs, retirement, insurance, sick leave, annual leave, sabbatical leave, service charges, etc. must conform to the standard rates and policies of the sponsoring institution."

Differences in employment practices between staff at NTID and RIT date back to the early days of the institution. NTID faculty were originally on twelve-month contracts and limited to four weeks' vacation. RIT faculty were on ten-month contracts and only expected to be at the University when students were present. NTID faculty also were paid less, on average, than comparable RIT employees. In the early 1980s, NTID faculty demanded equal pay and working conditions with RIT. In 1982, an external benchmark was established for determining appropriate salaries for NTID faculty. The benchmark was a composite of the salaries of five urban New York State community colleges, RIT, and Gallaudet University. The community colleges included Monroe, Erie, Suffolk, Nassau, and Onondaga Community Colleges. At that time, the Institute determined that NTID faculty were paid, on average, approximately 12 percent below the average salaries of the benchmark group.

A compromise was reached whereby NTID faculty were converted from twelve-month contracts to ten-month contracts without a commensurate reduction in annual salary. Working conditions were thus brought more closely in line with the rest of RIT. However, when salaries were standardized to the ten-month contract term, NTID salaries were higher than the benchmark group by nine percent. To counter the resulting inequity, annual salary increases for NTID faculty were kept slightly below those for RIT until 1987 when average salaries were equal to the average of the benchmark group.

In March 1985, the General Accounting Office released a report, Educating Students at Gallaudet and the National Technical Institute for the Deaf: Who are Served and What are the Costs? This report contained data on average salaries by rank for 1983-84. GAO found that NTID average salaries for each rank were higher than the median salaries for two year vocational-technical institutions in New York State and the five benchmark community colleges selected by NTID as similar institutions. However, total compensation was lower because of benefits. The GAO report pointed out that the average compensation package, with benefits, was $2,700 lower than RIT's, $1,500 lower than two year vocational-technical schools in New York, and $6,100 lower that its self-selected peer group.

The following table shows average salaries and percentage of personnel in each category for RIT and NTID for 1988-89:

	NTID		RIT	
Rank	Personnel	Salaries	Personnel	Salaries
Professor	6%	$48,290	30%	$45,215
Associate	34%	40,321	38%	38,062
Assistant	42%	30,779	28%	32,829
Instructor	18%	24,349	4%	27,561
Average	100%	31,476	100%	36,173

LEGAL CONTEXT

The Department has reviewed the Agreement and the Policies, Guidelines, and Procedures. Based on an analysis of these documents, the Department believes that the provisions in these documents indicate an intention that salaries at NTID be set in accordance with the standard rates and policies of RIT. It is also clear that this has not always been the case. However, we do not interpret these provisions as obligating NTID to strictly adhere to RIT's salary policy in all cases or provide salary increases in lockstep with RIT. Paragraph IX of the Agreement requires RIT to furnish to the Secretary, "if requested by him, justifications for such variances from the Sponsor's normal fiscal practices because of the special nature of the Institute or the special types of services rendered." This provision clearly contemplates circumstances where RIT and NTID would not be obligated to have identical policies on employee compensation.

In addition, Section XX of the "Policies, Guidelines, and Application Procedures" states that:

> "The Secretary may with respect to the agreement impose additional conditions prior to or at the time of any payment when in his judgment such conditions are necessary to assure or protect advancement of the Institute, the interests of the Institute, or the conservation of Federal funds" (emphasis added).

This provision allows the Secretary flexibility to require NTID to reduce general or specific expenditures to conserve Federal funds or maintain expenditures for specific educational and support programs if a general reduction in funding were to occur. The Secretary, therefore, could alleviate NTID of its obligation to provide comparable salaries if doing so would prevent an allocation of resources that adversely affected the overall quality of the program at NTID. For example, in the case of a general sequester, it may not be in the best interest of students at the Institute if funding for student services were cut in favor of salary increases for faculty and staff. Such an action might be necessary to ensure that funds are used to provide the best educational program possible at NTID. In addition, in developing the request for NTID, the Secretary may determine, based on an analysis of NTID's needs and the need to conserve Federal resources, that an increase different from that projected for RIT would be justified.

DEPARTMENT POLICY

It is evident that the two institutions are not comparable in many ways. NTID was created by an Act of Congress and is maintained under a contract between the Federal Government and RIT. The sources of revenue and budgets of the two institutions are different and distinct. For example, school year 1989-90 tuition for undergraduate students at RIT is $3,384 per quarter or $10,152 for a three quarter term. Tuition for NTID students is a total of $3,084 for the three quarter term. The salaries, educational programs, degrees conferred, services provided, and functional levels of students served at NTID and RIT are different in many ways.

Following is a history of average percentage merit increases provided by the Rochester Institute of Technology. The RIT increases are compared to the Higher Education Price Index (HEPI) and data from the Annual Report on the Economic Status of the Profession by the American Association of College and University Professors (AAUP):

School year	RIT	HEPI	AAUP
1989-90	6.0%	6.0%	6.0%
1988-89	5.5%	5.5%	5.8%
1987-88	4.0%	4.4%	5.8%
1986-87	7.5%	4.2%	5.9%
1985-86	3.0%	4.4%	6.1%
1984-85	6.0%	6.7%	6.6%
1983-84	5.0%	5.4%	4.7%
Cumulative	43.3%	42.8%	47.5%

NTID provided the comparison percentages to show that increases provided by RIT are not out of line with those provided elsewhere in the field. However, the Department's primary concern is not whether the increases have been reasonable. It is whether the RIT increases are always necessary and appropriate for NTID and that a strict policy of comparability may result in adverse effects on students. The University is a private entity which determines salary levels and increases based on internal financial considerations. In order to maintain a policy of strict equality in increases at NTID, programs might be reduced or projects such as maintenance may be deferred for prolonged periods resulting in dangerous conditions or the need for major renovations. For fiscal year 1990, NTID requested and Congress provided funding for renovations to remedy safety and security hazards that had accumulated in its dormitories. Conversely, it is possible that RIT could suffer a downturn that would allow no increase or a very low salary increase in a given fiscal year. However, NTID might have sufficient resources to provide a higher increase. It is also possible that, following the start of the fiscal year, declining enrollments would indicate the need for a decrease in personnel, providing savings that could be used for other purposes such as compensation improvements. Should NTID's ability to increase faculty salaries and compete in the marketplace be restricted unnecessarily?

The increases anticipated by RIT are important and valid factors to be considered in developing the request for this account. However, the Federal appropriations process cannot be held hostage to agreements over which it has no control. NTID has made great strides in making its compensation package competitive with RIT and its benchmark schools and is fully capable of making a case for why it needs to make further gains. For example, NTID is concerned with increasing its competitiveness in recruitment and retention of faculty. In recognition of this, the President's budget for fiscal year 1991 includes an 8.2 percent increase for NTID operations. This level was determined on the basis of the submission from NTID and other information available to the Department, including the most recent information on RIT's plans regarding salaries and benefits.

CONCLUSION

It is our conclusion that the agreement between RIT and the Federal Government indicates that NTID employees are to be compensated in a manner that is comparable to RIT. Within the confines of available resources, it was the intent of the Agreement to provide comparable salaries, benefits, services, and equipment. However, the agreement provides the Secretary and NTID with a basis for deviating from absolute parity in salaries if doing so is justified by the need to protect the educational program or efficient use of Federal funds. The Department of Education believes that it would not be good policy, or in the best interest of the Institute, to require NTID to provide comparable personnel compensation and benefit levels with RIT in all cases. Since we believe that the Agreement provides sufficient latitude to permit exceptions from the general practice, we conclude that the Institute and RIT did not violate the Agreement in the past, and it is not necessary to change the provisions to increase our latitude in the future.

The historical context indicates that NTID's average compensation package has differed from that of RIT. For the most part, it was lower. It is understandable that NTID would want to provide compensation and give increases consistent with RIT since they are located on the same campus and share many of the same facilities. However, RIT is a private, independent university. The Department cannot control RIT's personnel compensation policy. At the same time, RIT policy should not dictate appropriations policy for the National Technical Institute for the Deaf.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF
RATIONALE
JANUARY 1990

There are several reasons why NTID salary and benefit increases should remain consistent with those of RIT. The reasons can be categorized under the following major headings:

1. LEGAL CONSIDERATIONS

2. POLITICAL CONSIDERATIONS

3. REMAINING COMPETITIVE IN THE MARKETPLACE

LEGAL CONSIDERATIONS:

Page 8 of the Agreement for Establishment and Operation of the National Technical Institute for the Deaf between The Secretary of Education and Rochester Institute of Technology specifies under the heading of "Fiscal Limitations on Operations" that, "... in the construction equipment, and operation of the Institute, the Sponsor shall observe and be guided by its normal institutional practices which govern the operation of its educational institution....". This makes sense when one considers that NTID employees are, in fact, RIT employees who happen to be working on a contract with the US Government.

NTID is not a free standing, separate entity serving the deaf, but rather an integral part of a private, independent university that serves 12,000 hearing and deaf students. RIT employees who serve the federal government by working with the deaf, do so as employees of a private enterprise and not as public servants employed by the federal government. Just as the federal government would not think of establishing wage rates for grantees, it follows that it should not determine the wages for some of the employees of RIT. It is a long standing principal that government doesn't get into the day-to-day operations of grantees or contractors, it merely awards the money based upon the merits of the proposal and then monitors and evaluates the resultant product(s). This should continue to be the case at RIT.

POLITICAL CONSIDERATIONS:

Perhaps as important as the legal precedent, is the political side of the argument. As mentioned previously, NTID employees are RIT employees and as such do similar work and currently expect similar compensation. This was not always the case.

In the early years, NTID faculty were all on twelve month contracts and, as such, were limited to only four weeks off. That was far different than the expectations of faculty in the other colleges of RIT, all of whom were on ten month contracts and were expected to be in the work environment only when students were here. This difference created a severe morale problem for NTID faculty in the early 1980's and culminated in a formal set of demands from the faculty in 1982. Among the demands were equal pay and working conditions with the rest of RIT. All other NTID employees including professionals and clericals had parity, why not the faculty? The administration didn't want to get into a no-win argument with the two faculties over whose job was more difficult or whose credentials were more significant so an external benchmark was established. The benchmark was a composite of five urban New York State Community Colleges, RIT and Gallaudet University. It was then determined that NTID faculty were paid on the average approximately 12% below that benchmark group. The final compromise was to satisfy both demands with one act: converting all NTID faculty from 12 month contracts to the standard 10 month contract without a commensurate reduction in annual salary. The net result was to bring working conditions more closely in line with the rest of RIT faculty and to advance their salary position above the market by nine percent. To counter this new inequity in pay, it was agreed that annual salary increases for NTID faculty would be slightly less than the RIT budgeted increases until average salaries were equal to the marketplace.

Two years of slightly reduced salary increments, coupled with RIT increases that were below the rates granted in the marketplace brought NTID faculty in line by 1987 and we remain that way today.

For the Congress or the Department to suggest that we abandon our efforts to remain competitive in times of fiscal restraint, and, we suppose, catch up during better times defies good logic. We do not want to get ourselves into the same situation that Gallaudet University found itself in when it needed a substantial increase to catch up with the marketplace. In addition, given our history, we don't want to make ourselves vulnerable to another organized set of demands from faculty. Morale is good and we need to keep it that way.

REMAINING COMPETITIVE IN THE MARKETPLACE:

Currently the NTID faculty average salaries are reasonably competitive with our established benchmark group of colleges. However, our total compensation package, including benefits, is $6,100 lower than the comparison group. The problem is that benefits as a percent of salary is only 23 percent at RIT while the average rate at the other institutions is over 32 percent.(1) This discrepancy was pointed out to us originally by the US General Accounting Office (GAO) as part of its March 1985 report to the Chairman of Subcommittee on the Handicapped Committee on Labor and Human Resources of the United States Senate entitled, "Educating Students At Gallaudet And The National Technical Institute For The Deaf: Who Are Served And What Are The Costs?". Page 107 of that report showed that while NTID's average salaries by rank in 1983-84 were competitive, its overall average salary was low and its total average compensation package was $2,700 lower than RIT's, $1,500 lower than 2-year vocational-technical schools located in New York State, and $6,100 lower than its self selected peer group (see Attachment I). That same disparity exists when looking at 1988-89 data with respect to RIT and our self selected peer group.(2)

We are not, however, advocating that we need adjustment to get our benefits in line with the benchmark institutions. That is a decision for RIT to make based upon its ability to pay. We are advocating though that the relationship we have achieved not be eroded any further, and to do so we must at least keep pace with RIT.

Up to now we have not discussed our professional staff and our clerical staff of which there are over 300. We know through studies that RIT Personnel has conducted that average salaries in grades 1 through 5 of our professional staff are behind the market as follows:

GRADE	BEHIND THE MARKET
1	1%
2	6%
3	6%
4	6%
5	1%

As a result they are intending to make selected market adjustments over a two year period to eliminate the disparity. The cost to us will be approximately $40,000 in FY1991 and $45,000 in FY1992.

The clerical staff is below the local market by approximately 6 percent. Therefore the plan is to increase their salaries by 3 percent beginning in FY1990 at a cost of $37,000 and to do the same in FY1991 at a cost of $40,000.

The cost for the professional staff and clerical adjustments is relatively small because the average salaries are $26,600 and $14,700 respectively.

In summary, we feel that it is important to continue to operate within RIT's policies and procedures for the above very significant reasons. The Congress has for years appropriated what it could for NTID, but it has borne little relationship to our original request. That is sufficient evidence that NTID has not held the Department of Education, OMB, Congress, or any other parties hostage to our built-in increases. We have always pointed them out to concerned parties, but that is as far as we care to go or can go for that matter.

(1) "The Annual Report on the Economic Status of the Profession," Academe, March-April 1989, pp. 26, 44-46.

2) Ibid, pp. 26, 44-46.

ATTACHMENT 1

Accounting Office except on the basis of specific approval
by the Office of Congressional Relations.

BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Chairman
Subcommittee On The Handicapped
Committee On Labor And Human Resources
United States Senate

Educating Students At Gallaudet And The National Technical Institute For The Deaf: Who Are Served And What Are The Costs?

GAO/HRD-85-34
MARCH 22, 1985

We found that, while NTID average salary for each rank was higher than the median salaries for seven 2-year vocational-technical institutions in New York[3] and five New York community colleges selected by NTID as "similar" institutions,[4] NTID's average compensation for "all ranks combined" was less than the median compensation for the comparison schools. In addition, in comparing NTID's average compensation with the average compensation of its sponsoring institution, RIT, we found that NTID's was lower by $2,700.

Two factors which may contribute to NTID's lower average compensation are: (1) its comparatively lower average fringe benefits and (2) its fewer number of faculty at the higher academic ranks compared with the number at the lower ranks ~~(44~~ 70 professors and associate professors compared with ~~127~~ 100 assistant professors and instructors).

Table 23

Comparison of NTID 1983-84 Average Faculty Compensation with Compensation at Other Institutions

1988-89

Institution	Median salary Professor	 Associate Professor	 Assistant Professor	 Instructor	Fringe benefits as percent of salary	Average compensation (salary and benefits) for "all ranks combined"
NTID	~~$39,500~~ 47,639	~~$23,100~~ 40,348	~~$25,000~~ 31,253	~~$21,100~~ 26,174	~~18.5~~ 23.0	~~$30,900~~ 44,586
New York public 2-year vocational-technical institutions	31,100	26,600	22,400	18,800	26	32,400
NTID's self-selected peer group	46,500 ~~35,600~~	~~38,500~~ ~~30,000~~	32,000 ~~24,400~~	25,800 ~~20,100~~	~~26~~ 30+	1/15/90 50,800 ~~50,500~~ ~~37,000~~

Not Available

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[3] For comparison purposes, we used 2-year vocational-technical schools located in New York, rather than nationwide, to minimize salary differences that may be caused by geography.

[4] These include Monroe, Erie, Suffolk, Nassau, and Onondaga community colleges.

EFFECT OF INFLATION ON APHB'S BUDGET

Senator HARKIN. Dr. Tinsley, last year we discussed how Federal funding has not kept pace with inflation and the need in terms of operations to produce braille instructional materials in the areas of, science, mathematics, and social studies. The 1991 budget projects that the printing house will serve 48,180 students in fiscal year 1991 at about $111.37 per student. This is far below the 1981 funding level of $131.87 per student.

So, what is your assessment of this?

Dr. TINSLEY. Mr. Chairman, the appropriation level has increased; however, the increase in the number of students has far exceeded the increase in the dollars. Since 1981, the appropriation increased 20 percent, but the number of students increased 38 percent. Therefore, the dollar figure per student throughout the country decreased by $20.50 in that period of time, from $131.87 per student to $111.37 per student. With the current request, the figure is 15.5 percent. Also, there continues to be an increase in the number of children with complex needs which indicates a need for more specially adapted materials rather than fewer materials.

RESEARCH ON EARLY INTERVENTION PROGRAMS

Senator HARKIN. Again, given the fact that there is going to be a greater demand for educational materials for early intervention programs, which is one of my priorities, from birth up to age 5, the budget has an increase of $15,000 for education and technical research.

Seeing this barely keeps pace with inflation, how are we going to have increased research on programs for early intervention? Are you going to be able to do some more in that area or not?

Dr. TINSLEY. Yes, sir; we certainly are, and that is a major priority, one of our top four. It was the No. 2 recommendation of our research committee, which is made up of ex officio trustees who are also service providers.

The impact of Public Law 99-457 on APH has been to increase the number of students served and range of materials needed. Because many preschool blind children are served in their homes, materials need to be developed that are specially designed for parents to use with their children.

In addition, APH is serving more multihandicapped children who are more complex to serve. In 1981, the number of registered students in kindergarten was 1,314. Our current registration for fiscal year 1990 included 8,521 children in early childhood programs. That includes kindgergarten, the preschool level, aged 3 to 5, and infant programs, aged birth to 3. We have picked up those zero to 5 children. So, that is a major increase.

The increase in the last 3 years in the number of students enrolled in infant and preschool programs has been 31.2 percent or 1,723 students. During the same period the increase in kindergarten through 4 students has just been 16 percent or 928 students.

Therefore, you are exactly right. That is why we have taken on a major focus in that area.

Senator HARKIN. Do you have the resources to meet that? It almost seems that this increase just is not enough to do it. But you tell me.

Dr. TINSLEY. The budget includes a 4.2-percent increase for educational and technical research for a total of $376,000.

Senator HARKIN. That is a $15,000 increase.

Dr. TINSLEY. Yes, sir.

The American Printing House for the Blind has continually supplemented the Federal funding to address growing needs with total funding approximately one-half million dollars a year. So, APH has been kicking in about $150,000 or $160,000 a year. We have also been supplementing advisory services by about $150,000 a year.

ORIGINAL BUDGET REQUEST FOR RESEARCH

Senator HARKIN. What was your original budget request for research?

Dr. **Tinsley**. Research represented 6.3 percent of APH's original budget. We submitted a request with options at three levels: flat funding, 3.3 percent as the Assistant Secretary had suggested, and our request which was to reinstate the 1981 per person level of funding. Research would be 6.3 percent of that amount. The 6.3 percent would bring the amount for research to about $430,000.

Senator **Harkin**. Substantially more than $376,000.

Dr. **Tinsley**. Yes, sir; I have it in front of me. I should have looked at it. I'm sorry.

Senator **Harkin**. That is all right. We'll get the exact figures.

Dr. **Tinsley**. It is exactly $447,330.

Senator **Harkin**. Thank you all very much for being here today. I look forward to working with you as we go through our budget cycle and the appropriations cycle. Always feel free to contact me or staff as we go through this process.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Institutions for response subsequent to the hearing:]

AMERICAN PRINTING HOUSE FOR THE BLIND

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MATH AND SCIENCE EDUCATION

Question: The need to improve math and science education in this country continues to be on the "front burner" for discussion. The Department of Education has requested increased funding for research and development to find ways to improve the quality of math and science education. What is included in your budget to improve the materials relating to math and science education?

Answer: The materials relating to math and science which will be developed or produced through the appropriation are as follows:

- APHB Scientific Calculator - Development is underway on a fully programmable scientific calculator which will give any Apple II computer with at least 128K of RAM the power to perform numerous complex computations. It will include the number handling abilities of the most capable calculators, as well as their convenience of use. It will also be useful for quick numerical algorithms and as a tutorial device because of its advanced capabilities.

- Math Drill and Practice Programs - As a result of priorities determined by the Seventh Microcomputer Advisory Committee, APHB plans to develop talking and large print drill and practice math programs which will include addition, subtraction, multiplication, division, decimals, fractions, percentages, groupings, and regroupings.

- Handling Money - As part of next year's priority to develop high interest low-vocabulary age-appropriate programs for developmentally delayed students in junior high and above, APHB plans to adapt or develop a program on handling money.

- Textalker GS - APHB plans to develop a software program to enable speech output developed for the Apple II computer to be used with other programs. With the Textalker GS, students will be able to access off-the-shelf math and science programs that are text-based. It will also allow programs such as Appleworks, which is in common use in schools across the country, to be used with speech output to create databases for science classes and a variety of business related activities which use spreadsheets.

- Classroom Calendar - APHB plans to develop a classroom calendar with both print and braille for use with preschool and primary level visually impaired children. The Printing House reports that the calendar has become a staple in many kindergarten and first grade classes across the country. It can be used with young blind students to develop math skills such as ordinal counting, sequencing, recognition of numbers, logical ordering of

> the seven day week, matching the different number of days in the months, the number of weeks in a month, the number of days/weeks/months in a year, and addition and subtraction. Furthermore, the calendar can be used with young children to discuss the weather, the seasons, planting cycles, phases of the moon, and other science topics.

APHB will provide information updates on these projects to consumers through its microcomputer newsletter, Micro Materials Update. Topics will include the use of the Apple computer as a calculator, the use of telecommunications as a teaching and learning medium, math and science materials available for use with the visually impaired, science materials available at no cost through the National Aeronautics and Space Administration, and other topics of interest to teachers and students.

Question: Do you feel that this is something you should be addressing?

Answer: The Printing House believes that improvement in the quality of the math and science instruction of blind students is an essential activity. The mathematics achievement of blind students is traditionally one-and-a- half to two years behind that of their sighted peers. These children need tactile materials to assist in the development of these concepts.

NUMBER OF BOOKS PUBLISHED

Question: I understand that you request the superintendents of institutions for the education of the blind to send a list of books they deem most desirable for publication. How many publications were recommended by the special institutions and how many publications were you actually able to make available in fiscal year 1989 or 1990?

Answer: Superintendents of the residential schools for the blind and other ex officio trustees provide input regarding the textbooks to be published by APHB through the Publications Committee. The seven members of this advisory committee are selected from the 160 ex officio trustees by the ex officio trustees themselves. The committee recommended that 55 books with new copyrights be produced in 1989 and 43 books with 1990 copyrights be produced in braille by APHB in 1990. APHB produced 52 of the 55 books recommended in 1989 (publishers withdrew the print texts of three titles) and is in the process of completing all 43 books with 1990 copyrights.

Due to the shorter time period involved in the production of large type books, in comparison to the production of braille books, large type textbooks are produced on demand, and titles are not selected in advance by the Publications Advisory Committee. APHB produced 334 titles in large type in 1989. Large print books for 1990 are currently being produced as they are ordered.

Question: I would assume that inasmuch as the Federal appropriation has a direct bearing on the publication of materials, that there are books that are not printed because of a lack of funding.

To what extent is the availability of Federal funding driving the number of publications printed?

Answer: In reviewing potential titles to be printed in braille, the Publications Committee takes into consideration the extent to which titles are being used in classrooms with blind students, whether earlier versions have been produced that only need updating, titles being produced by volunteers, the time involved in the transcription and production of the books into braille, and the production capacity of APHB. More than 30,000 precollege level textbooks have been published in the past 10 years, It is not necessary for all of these texts to be available in braille. The issue is not so much the number of publications printed as the amount of funds available to purchase the materials produced. Braille publications only represent 16 percent of the products sold by the American Printing House for the Blind. Educational and other aids represent the largest sector with 44.8 percent of products sold falling in this category.

AUDIT BY THE OFFICE OF THE INSPECTOR GENERAL

Question: What is the status of the Printing House's efforts to address the audit findings released last spring by the Department of Education's Inspector General?

Answer: The Office of Special Education and Rehabilitative Services sustained the Office of the Inspector General's recommendation regarding $250,320 in disallowed costs related to building depreciation and directed APHB to restore these funds as credits to the educational agencies and institutions participating in the program or to refund the amount to the Federal Government. APHB has appealed this determination. The Secretary has designated the Office of Administrative Law Judges to hear this appeal. Briefs have been submitted by respective parties, and a tentative hearing date has been set for May 31, 1990.

STUDY OF THE PRINTING HOUSE

Question: Have there been any recent studies regarding the effectiveness of the Federal quota program and how well it meets the needs of visually impaired students?

Answer: The Department of Education is conducting a study regarding the operation of the Federal quota program at APHB, the effects of the program on the education of students who are blind, and the context under which it operates. The study was initiated at the October 1989 annual meeting of the ex officio Trustees of APHB. During the week of the annual meeting, the purpose of the study was reviewed with the membership, and interviews were conducted with various trustees and APHB staff members. Data are also being collected from State materials centers for the blind and visually impaired, State agencies, other producers of materials, and parents. The Federal Government has not previously conducted a study of the Printing House, although APHB has received a Federal appropriation for the purpose of producing and distributing educational materials for students who are blind for 121 years. The study should provide important data, including how the allotment to States for distributing products under the Federal program relates to the needs of visually impaired students, emerging issues likely to affect the educational needs of students who are visually impaired, and trend data on the educational needs of these students. The scheduled completion date of the study is May 1990.

CONSUMER INPUT

Question: Have you received input from consumers regarding the quality of programs and services APHB is providing?

Answer: APHB receives input from consumers on a continuing basis. The ex officio trustees are the chief State school officer of each State (or his designee), the superintendent of each residential school for the blind (or his designee), and the executive officers of other agencies serving the blind (or their designees). These ex officio trustees, who are responsible for the administration of the Act to Promote the Education of the Blind, meet annually in Louisville. In addition, six standing advisory committees provide input regarding the quality of programs and services provided by the Printing House. Those committees cover the following areas:

- educational research and development;
- publications;
- APH-CARL (APHB's national materials data base);
- microcomputers;
- Disk Output Transcribing System (APH-DOTS); and
- adult issues.

Project consultants and ad hoc committees consisting of direct service providers and consumers, such as the Computer Generated Braille Committee, are also frequently convened. In addition, a written survey of the ex officio trustees regarding their satisfaction or dissatisfaction with APHB products and services will be conducted in May 1990. APHB plans to conduct this or a similar survey on an annual basis.

GALLAUDET UNIVERSITY

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FOREIGN STUDENT EFFECT ON NEED FOR CONSTRUCTION

Question: The fiscal year 1991 budget requests $2.5 million for construction. The Department of Education, in its budget justification, suggests that the capacity needs of the campus are related to the enrollment of international students at Gallaudet. Is the construction funding needed because of foreign enrollments?

Answer: Gallaudet's master plan, implemented in 1985, indicated that its enrollment goal should be between 2,000 and 2,500 students. The University believes that its optimum level is 2,250 students. For that reason, the University has used the 2,250 figure as its projected enrollment since 1985. During the past two years, Gallaudet's actual enrollments have been considerably above that number. The University credits this to the extensive publicity it has enjoyed during this period. Gallaudet reports that the current level of 2,373 students has caused a strain on facilities and extreme problems in scheduling due to a shortage of classroom space. The University also anticipates that its enrollment will be at or above the ideal capacity figure for the foreseeable future. The Department connects this with foreign students because these students represent the largest growth area in the student body. Foreign student enrollment increased from 218 in 1988 to 301 in 1990, a 38 percent increase. Foreign students now comprise almost 13 percent of total enrollment, accounted for 65 percent of the enrollment increase in 1989, and continued to increase in 1990, though overall enrollment shrank slightly. Since all American students who are eligible are admitted, it is reasonable to conclude that the addition of foreign students accounts for a large percentage of the strain on facilities referred to by the University.

Gallaudet does not feel that there is a relationship between foreign student enrollments and the need to expand facilities. The University points out that its policy is that international students will be enrolled up to the capacity of the University only after all eligible U.S. students have been accommodated. However, Gallaudet is already exceeding its own target for optimal enrollment, primarily because of the addition of foreign students. While Gallaudet plans to use the construction funds for several purposes, including the addition of office space for the expanding research and new mental health programs, funds are also needed to reconfigure classroom space because of overcrowding which would not have occurred if the number of foreign students was reduced.

ENDOWMENT MATCHING GRANTS

Question: Dr. Jordan, once again, the budget requests $1,000,000 for the endowment fund. Gallaudet has done an excellent job of raising monies for this endowment. What is the current value of that fund?

Answer: Gallaudet estimates that the current market value of its combined endowment and similar funds is about $21 million.

Question: Have any of these monies been used by the University?

Answer: There are two basic categories of endowment income. These are restricted and unrestricted. Restricted funds have legal constraints associated with them that require that income from these funds be expended only for specified purposes. Such funds comprised more than fifty percent of Gallaudet's endowment income in fiscal year 1989. The unrestricted part of the endowment income becomes part of the University's general budget and may be used for special projects. However, in recent years, it has been Gallaudet's practice to return as much of this income to the endowment corpus as possible in order to obtain more rapid growth in its total endowment package. The University continues to believe that reinvestment is a sound practice and expects to continue this practice in the future.

EVALUATION STUDIES

Question: The Department is proposing a new activity for evaluation. The first study would be an evaluation of postsecondary educational opportunities for deaf persons. Do you think such a study is needed?

Answer: Gallaudet has stated that it feels that the proposal is useful and properly focused. The University was not comfortable with the Department's proposal last year because the funds were to be included in the Gallaudet budget, and the study was to be focused only on Gallaudet. The current proposal does not include the funds in the Gallaudet budget and focuses on the college-age deaf population in the United States and all of the federally-funded postsecondary programs. In the past, Gallaudet and NTID have collaborated to collect limited information on the programs that serve this population, but not on the population itself. The University believes that this evaluation has the potential to generate very useful information concerning this understudied population.

Question: How would such a study benefit Gallaudet University students?

Answer: The study will provide information on the demographics of college-age deaf persons and the needs of this population. This will be useful for Gallaudet and the other federally-funded programs in planning for the future. It will also help the Department to assess the effectiveness of these programs in addressing the postsecondary educational needs of deaf persons and how best to target funding toward emerging needs, such as the higher education needs of lower functioning deaf persons. As members of the college-age deaf population, Gallaudet students should benefit from a study of the adequacy and appropriateness of the educational services available to these students.

ENROLLMENT AT MSSD

Question: Enrollment at the Model Secondary School for the Deaf has declined for the sixth straight year in a row. Why are you continuing to request increases for this program?

Answer: Gallaudet points out that over the past 5 years, the increase in the Model Secondary School for the Deaf's (MSSD) appropriation has averaged approximately 2 percent per year. At the same time, the annual rate of inflation in educational programs averaged 4-5 percent. Thus, the real funding for this program has actually declined by over 2 percent per year. During the period in question, the enrollment in the MSSD program has declined at an approximately equal rate. Therefore, the University asserts that funding has not increased in real terms. Gallaudet is very concerned about the continued loss of enrollment in the MSSD program, and as part of a comprehensive enrollment planning process that is currently underway, will consider various options for the program.

CENTER FOR EXCELLENCE IN LEARNING AND TEACHING

Question: Dr. Jordan, last year you indicated you would be establishing a Center for Excellence in Learning and Teaching. How is that project coming along?

Answer: Gallaudet has efforts underway to bring the various units that will make up the Center together under one director. Academic support programs serving the overall community include Academic Advising, Consortium Studies, Effective University Study, the English Tutorial Service, Foreign Studies, Insight, the Tutorial Center, the Writing Center, and Writing Across the Curriculum. The University has initiated efforts to provide increased academic support for students and to offer additional development opportunities related to learning and teaching for faculty and professional staff. Professional development opportunities will be increased through offering workshops and seminars aimed toward developing new teaching methods, uses of technology in the classroom, learning materials, and associations between instructors, tutors, and students. These efforts are aimed at providing academic support services and enrichment programs for all students, not just those experiencing academic difficulties.

CONSTRUCTION FUNDING FROM OUTSIDE SOURCES

Question: What is the status of Gallaudet's efforts to raise outside funds for the proposed construction?

Answer: The University is confident that it can raise the needed funds. In general, its ability to attract private giving has increased dramatically in recent years. Total giving has increased by an average of about 30 percent a year during the last 5 years. Gallaudet recently received a report from a consultant hired to conduct a feasibility study for conducting a capital campaign. The report recommended changes which should be made in Gallaudet's development efforts in order to meet its need for increased private giving. The University is acting to implement those recommendations. Gallaudet's immediate goal will be to increase private giving from the current level of $2.5 million annually to $3.5 million. This level will provide adequate funds for the institution to meet the Federal endowment match and provide funds needed for the construction project.

FOREIGN STUDENT ENROLLMENTS

Question: With respect to the projected increases in enrollments, what percentage of the increases is related to foreign student enrollments?

Answer: Foreign students are distributed across Gallaudet's programs. In 1990, enrollment increased in the preparatory and graduate programs. All other student groups held steady or declined. The University is not currently projecting increases in enrollment in any of its schools. Gallaudet has maintained for several years that a total enrollment of 2,250 is ideal. This level would be 123 students lower than the 1990 enrollment.

HISPANIC STUDENT PROGRAMS

Question: Dr. Jordan, can you tell me how the University's programs are serving special populations, particularly Hispanic deaf persons and their families?

Answer: During the past year, the University has been addressing the concerns of minority and ethnic groups at several levels. For example, the growing number of Hispanic deaf youth in the area has been of special concern. Gallaudet's precollege programs three years ago had fewer than 40 Hispanic students; that number has grown to 60. At the request of the Model and Kendall Schools, Andromeda, a mental health agency funded by the United Way to work with the Hispanic community, has assigned a staff person to work full time with their Hispanic students. An example of the results of this project is that all written communications with parents of Kendall school children are now sent home in both English and Spanish.

At the University level, the Office of Enrollment Services recently hired a deaf recruiter who is Hispanic, a Gallaudet graduate, and fluent in Spanish, English, and sign language. She is recruiting in areas with large numbers of deaf and hard-of-hearing Hispanic students. In response to a report from a year-long study of minority concerns, the University has appointed a Minority Affairs Officer in the office of the Dean of Student Affairs. She is responsible for developing programs at the University which will support and encourage minority students already enrolled at Gallaudet.

BLACK STUDENT PROGRAMS

Question: Is the University involved in any activities that focus on the black deaf population?

Answer: Gallaudet sponsored a conference in March 1989 called "Black and Hispanic Students: Is the System Meeting Their Needs?" That conference attracted more than 300 people. The University will be co-sponsoring a conference in conjunction with its regional center at Northern Essex Community College in Massachusetts and with Lehman College in New York in April 1990. The conference will be held at Lehman College. This first-of-its-kind conference on Empowerment and Black Deaf Persons will provide a national forum to examine critical issues, commonly encountered barriers, and emerging solutions concerning the black deaf population. This conference is designed for black deaf consumers, educators, mental health providers, rehabilitation services providers, family members and other professionals.

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

QUESTIONS SUBMITTED BY THE SUCOMMITTEE

DECLINING ENROLLMENT

Question: Although enrollment at NTID has decreased for the sixth year in a row, you are not projecting an equivalent decrease in faculty and staff. Why is this?

Answer: The Institute estimates that its current staffing level is 15 persons above where it was before the rubella bulge in 1983, when it served 993 students. NTID also notes that it is still serving 100 more students than it did that year. The Institute contends that it has already made adequate reductions and points out that at the peak of the rubella bulge in fiscal year 1985, NTID had 1,319 students and an authorized full-time-equivalent ceiling of 294.7 faculty and 310.3 staff positions. The faculty/student ratio at that time was 1:4.5. For 1990, NTID has an authorized ceiling of 285 faculty and 285 staff, which is the result of a two year reduction undertaken in fiscal years 1988 and 1989. The Institute's enrollment for 1990 is 1,096, which brings the faculty/student ratio to 1:3.8. In comparison, Gallaudet's faculty/student ratio for 1990 is 1:9.1. The national average ratio for full-time and part-time faculty to students for 1988, the most recent year for which data are available, was 1:17.3.

CONSTRUCTION PLANS

Question: The FY 1990 budget requested $932,000 for a comprehensive program of repairs and reconstruction at NTID. As the beginning of fiscal 1990 approached, NTID revised its request, the Congress provided $482,000 for repairs and reconstruction. The FY 1991 budget requests no monies for repairs and construction. Please submit for the record your five-year plan to address repairs and reconstruction to ensure that problems will be addressed in a timely fashion.

Answer: NTID did not request construction funds for 1991. In part, this is because the Rochester Institute of Technology (RIT) is involved in a major two-year project to correct an asbestos problem in its dormitories. This project has resulted in an overflow into NTID's dormitories during the summers, when this type of work normally takes place. The asbestos removal began during the summer of 1989 and is not expected to be completed until the fall of 1990. Therefore, some of the NTID projects originally planned for 1990 are being delayed until 1991. The projects funded by the 1990 appropriation for construction include replacement and expansion of the strobe light fire alarm system and installation of smoke hatches in NTID dormitory stairwells.

The Institute is in the process of completing a long-range plan for major projects which is intended to cover a 5-year period of time. NTID expects to complete the plan this spring and submit it to the Department of Education as part of the fiscal year 1992 budget process. At that time, it will be determined whether additional special appropriations are necessary or if these activities can be accommodated through the maintenance program funded by the appropriation for operations.

SOLICITING PRIVATE FUNDS FOR CONSTRUCTION

Question: NTID has greatly increased its activities in fund raising for a number of purposes. Is there any reason that the Institute isn't soliciting funds for construction and renovation projects?

Answer: The long range capital plan for NTID will focus on renovation and repair and not on new construction. NTID believes that it is more difficult to raise private funds for projects such as dormitory renovation than for creation of new academic programs or the construction of new facilities. Up to this time, NTID's efforts have focused on increasing the endowment fund established through the Federal matching grant program.

The existence of the matching funding makes the Federal endowment program very attractive, and many contributors have chosen to take advantage of the program. However, while NTID has been very successful in matching the amounts appropriated for the endowment matching grants, it is still in the early stages of developing a comprehensive fundraising program. The program will seek support from alumni, corporations, foundations and other interested parties on an ongoing basis. Potential donors will be offered many different opportunities to contribute to NTID, such as for specific items of equipment, scholarships, and general endowment. NTID will attempt to balance its needs with the interests of the donor, who may not be interested in renovation projects. However, the Institute assures the Department that it will continue to look for ways to raise private funds for all their projects, including renovation.

CONSISTENCY IN SALARY PRACTICE

Question: The budget justification states that NTID will be receiving a 7% increase in salary and benefits while RIT will be receiving a 6% increase. Inasmuch as salaries and benefits for NTID have been tied to the same amounts received by RIT, how do you explain this increase?

Answer: The statement you are referring to comes from paragraph 3, page G-30 of the congressional justification. It is based on NTID's original request to the Department. That request included an increase of $1,682,000, or 7 percent, above the 1990 base of $24,012,000. Subsequent information from NTID indicated that RIT planned to give a 6 percent increase, and the President's Request was adjusted accordingly. RIT currently plans to grant a 5.5 percent increase in 1991. NTID indicates that it believes RIT is behind the marketplace for salaries in some faculty ranks, for lower level professional staff, and clerical staff. RIT may increase salaries by approximately 2 percent for faculty, and 3 percent more for both professional and clerical staff in the fall.

However, it is expected that enrollment at NTID will be sufficient to produce any additional revenue necessary for this additional increase if it is approved.

HOWARD UNIVERSITY

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TUITION SURCHARGE FOR FOREIGN STUDENTS

Question: Last year the Appropriations Act implemented a tuition surcharge for foreign students to minimize, somewhat, the degree to which American taxpayers are subsidizing foreign students at Howard. However, we agreed in the conference report that this tuition surcharge would be implemented over a multi-year period so as to not work a great hardship on current students. What can you report to us as to the implementation schedule for this tuition surcharge?

Answer: As directed by Congress, the Department of Education and the University have agreed on a 3-year implementation period for a 50-percent tuition surcharge for foreign students. The agreement will impose a 10-percent surcharge in academic year 1990-91, a 30-percent surcharge in the academic year 1991-92, and finally, a 50-percent surcharge in academic year 1992-93 for all foreign students entering Howard University in or after the fall 1990 semester.

STATUS OF HOWARD UNIVERSITY'S ENDOWMENT PROGRAM

Question: As you know, last year's Appropriations Act targeted almost all additional funds to your endowment program. Similarly, the President's request for your budget this year places all additional resources into your endowment program. What can you tell us about how well the University has been matching the Federal endowment contribution?

Answer: The University's matching contributions as of February 20, 1990, are provided in the following chart.

ANALYSIS OF DEPARTMENT OF EDUCATION/HOWARD UNIVERSITY ENDOWMENT FUND
(As of February 20, 1990)

FISCAL YEAR (ENDING)	APPROPRIATION	CONTRIBUTIONS RAISED	APPROPRIATION DRAWDOWN	UNEARNED APPROPRIATION (BALANCE)
9/30/85	$2,000,000	$1,466,831	$1,400,000	$600,000
9/30/86	1,914,000	763,665	700,000	1,814,000
9/30/87	2,000,000	1,278,557	1,400,000	2,414,000
9/30/88	500,000	1,048,885	600,000	2,314,000
9/30/89	1,476,000	2,067,314	2,400,000	1,390,000
9/30/90	1,500,000	1,590,826	1,600,000	1,290,000*
Total	$9,390,000	$8,216,078	$8,100,000*	

*Appropriation drawdown and balance reflect $200,000 requested but not received as of February 20, 1990.

Question: Has this matching requirement served as a positive mechanism in your own private fundraising efforts?

Answer: We believe the matching requirement has served as a positive mechanism. However, it is not as effective as it could be. Because of the way the matching requirement is structured, we are unable to state a major goal over a number of years. We must state modest goals of $1 million or $2 million annually.

In any fundraising campaign, most of the dollar goal is donated by a few donors. If the goal is small, their gifts represent only a portion of that goal.

To state a specific example, one billionaire gave Howard $250,000 toward its goal. His aim was to give us 10 percent of our challenge. That same donor gave $60 million to Stanford University because their challenge was sufficiently large. Howard and the Department of Education should mutually define a goal for the endowment which, from the Howard University perspective, would be a multi-billion dollar endowment.

ALUMNI PARTICIPATION IN CONTRIBUTING TO HOWARD UNIVERSITY

Question: What can you tell us about the percentage of the University's alumni that contribute to the University?

Answer: Approximately 10 percent of Howard's alumni contribute to the University.

Question: How does that compare to other universities of its kind?

Answer: The comparison to other HBCUs is listed below:

Alumni Contributions at Selected Black Colleges/Universities
1988-1989

Name of Institution	Percentage
Lincoln University	12%
Fisk University	14%
Benedict College	15%
Tuskegee University	7%
Xavier University	20%
Hampton University	11%
Morehouse College	20%
Spelman College	17%

Question: Do you think that there is additional capacity for the University to tap its alumni for annual support?

Answer: Yes. In 1980, alumni contributions to Howard totaled $988,443, while in 1989, the amount was $1,408,358. Additionally, total alumni contributions in the decade of the 1980s was $12.1 million, or 18 percent of the total private-sector support received by the University. The 18 percent compares with the estimated 25 percent national figure for colleges and universities.

Finally, the number of alumni donors to the University has grown from 2,501 in 1980 to 4,450 in 1989.

Consequently, the decade has shown growth and, we believe, reflects a trend. We have no reason to believe this trend will not continue, provided adequate resources are available for fundraising efforts.

HOWARD UNIVERSITY HOSPITAL AND BOARDER BABIES

Question: There have been a number of reports in the Washington Post regarding the critical situation of the Howard University Hospital. It has been reported that the hospital is taking a number of austerity measures, including layoffs, to deal with the critical financing problem. What can you report to us on this problem?

Answer: As an urban teaching facility, Howard University Hospital is faced with an unrelenting volume of very sick patients, which Federal health insurance programs do not sufficiently cover. In 1989, our costs to provide care greatly exceeded the monies we received as payment for that care. Through the first 7 months of fiscal year 1990, our cost to provide care continues to exceed what we are paid. When 55 percent of our patients are covered by medicare or medicaid and 17 percent of our patients are uninsured, we cannot look to increased patient charges for new revenue. The medicare and medicaid payments are literally fixed at less than actual costs. Our uninsured patients can't pay current charges let alone increased charges. Therefore, the only place to turn for savings is to lower expenses. Since salaries and benefits are 67 percent of our cost, any expense reduction program must first look at labor reductions. In a maximum effort to hold expenses down, we have implemented our fiscal year 1990 Expenditure Reduction Plan. It calls for the reduction of $11.7 million in labor costs, a $2.9 million reduction in non-labor costs, and a $300,000 increase in non-patient revenue. The major portion of the labor reduction will come from attrition, curtailment of overtime work, and the furlough of all hospital workers for 56 hours without pay. Although furloughs are not layoffs, the wages our employees receive will be reduced.

In spite of these actions, it must be understood that our patient activity has not diminished. Unlike most hospitals, our census is very high. We must find the way to provide quality care to a lot of very sick patients with fewer man hours. As a result, we need help with the economic impact of a Federal health policy at best, built on a national average payment. Patients as individuals get sick and must be cared for as individuals. The consequences of the debate between cost, medical necessity, and individual patient care falls on the poor, the medically indigent, and the aged as compared to the well off and healthy population. Despite Howard's aggressive austerity measures, the medical needs of our patients will overwhelm our economic ability to continue service without additional economic help and a change in Federal health policy.

FEDERAL HEALTH POLICY

Question: What has been the effect of Federal health policy changes relative to medicaid reimbursements on the hospital's ability to provide services in the D.C. community?

Answer: The Federal health policy has focused on the curtailment of Federal expenditures to hospitals. It has encouraged the use of ambulatory care for the treatment of more and more medical conditions. In each case, the Government has argued..."this procedure for all patients can be done on an outpatient basis"; not..."the best way to perform this procedure for this patient is on an outpatient basis."

This small distinction goes to the heart of a medical policy that is driven by finance. While there are savings in the Federal budget, the front line hospital must still make the tough decision to care for a patient in the proper medical center. If that means an individual patient's condition warrants an inpatient facility for which payment is denied by medicare/medicaid, we must bear the burden. Our choice is providing medical care with no payment, or a possible loss of life. The real life, every day conflict is exacerbated when you consider what we face in dealing with drug addicted mothers. It is very easy to trace the increase in drug-related births to the elimination of Federal funds for abortions in the District of Columbia. Now, the community must prepare for the care that will be required over the next 65-70 years for the thousands of babies born addicted to drugs. While a few hundred Federal dollars are saved by denying abortions, the community will have to care for the medical problems these children will have for their entire lives. Far too many of these children are born with malformed organs and brain stem injuries. This narrow application of a Federal policy unjustly hurts the District of Columbia and our hospital.

Current medicare policy does not provide reimbursement to hospitals for those adult patients covered who remain in an acute facility beyond approved days. There is a severe lack of skilled nursing care beds in our area. When a patient needs skilled care but there is no bed available, the patient either remains in the hospital or is discharged without proper care. Since the latter is not acceptable to us, our patients remain in our hospital and receive care, but we do not get paid. In such cases, medicare precludes us from billing the patient or medicaid. In fiscal year 1990, we will lose $9 million caring for those forgotten patients. Again, Federal policy seeks to apply an average standard length of stay to an individual patient who has no control over the availability of beds nor their need for continued medical care. Regrettably, we can no longer afford to keep them in our acute hospital.

Question: The Washington Post also reported that the Howard University Hospital is housing more so-called "boarder babies" than D.C. General Hospital or any of the other hospitals in the District area. Perhaps you could take a minute to explain the boarder baby phenomenon and also explain to us why the Howard University Hospital houses so many of these babies?

Answer: Boarder babies are infants abandoned by their mothers, many of whom are drug addicted. Abandoned means that the mother leaves the hospital without ever seeing the baby, never comes back to see the baby, and provides no address where she can be reached. Many abandoned babies are drug addicted and are likely to be of low birth weight, will manifest withdrawal symptoms within 13 days of birth, and a small percentage may be HIV positive. Between caring for the medical problems and establishing a legal guardian or custody for the baby, the Hospital will care for the baby during its first 120 to 545 days of life. During the first 4 to 18 months of life in a hospital, it will cost upwards to $200,000 to care for each baby, for which medicaid will reimburse us $6,100. In fiscal year 1989, the Hospital spent approximately $7 million for the treatment and care of 60 boarder babies, but was reimbursed only $500,000.

It is true that Howard houses more of these babies than other city hospitals. We are the delivery site of choice. We have the medical facilities, skill, and caring to provide for these babies. People on the street know that we will do what is necessary to take care of the babies, and we won't refuse a delivery. Mothers simply prefer to come here. Once here, the medical and financial burden becomes ours. No one else in the city is in a hurry to take over that burden. Despite our pleas and efforts to distribute the case load, no one else is "competing for" a share of this market segment. The forces of "competition" want no part of this high-cost, low-payment business.

Howard University Hospital is licensed to provide care to 35 infant beds. For almost 2 years our census has not been less than 150 percent or 52 infants. On a great many days we have 70-75 babies. Of these babies, there are always 17 to 20 who have been abandoned by their families. We must care for these babies until the city takes custody of them and places them in a home setting. This process is extremely slow. While the legal and administrative details are worked out, we do not get paid.

STATUS OF HOWARD UNIVERSITY AUDIT

Question: As you know, last year in the Appropriations Bill we called for a thorough audit of Howard University and the use of its Federal appropriations. What can you report to us on the status of this audit?

Answer: We were notified that the Office of the Deputy Under Secretary for Planning, Budget and Evaluation of the Department of Education is conducting a comprehensive study of the University. Representatives of the Department indicated that an initial financial analysis was presented to the Appropriations Committee staff during the week of March 12, 1990, and that the comprehensive report will be prepared over the next 6 months or more.

UNIVERSITY COOPERATION

Question: Can you assure us that all parts of the University have been cooperating with the Department in the conduct of this audit?

Answer: Yes, the Department is enjoying the full cooperation of all units of the University in the completion of this audit.

SUBCOMMITTEE RECESS

Senator **Harkin**. The subcommittee will stand in recess until 1:15 p.m., when we will meet again here to hear further from the Department of Education. Thank you all.

[Whereupon, at 12:17 p.m., Wednesday, February 21, the subcommittee was recessed, to reconvene at 1:15 p.m., the same day.]

(AFTERNOON SESSION, 1:26 P.M., WEDNESDAY, FEBRUARY 21, 1990)

DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGE AFFAIRS

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

STATEMENT OF CHARLES E.M. KOLB, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

ACCOMPANIED BY:

DANIEL BONNER, ACTING ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

RITA ESQUIVEL, DIRECTOR, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

ROBERT DAVILA, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

OPENING REMARKS

Senator HARKIN. Good afternoon. The subcommittee will come to order.

We are pleased to welcome back witnesses from the Department of Education for additional testimony on the budget request for 1991.

This afternoon we will hear from each of the assistant secretaries, as well as from Charles Kolb, the Deputy Under Secretary for Planning, Budget and Evaluation.

As I mentioned this morning, while I think the bottom line budget request of a 2.1-percent increase is disappointing, there are a number of interesting and I think important initiatives contained in the budget for us to consider. I am looking forward to learning about those initiatives in greater detail.

We are pleased to welcome for our first panel Daniel Bonner, the Acting Assistant Secretary for Elementary and Secondary Education; Rita Esquivel, the Director of the Office of Bilingual Education and Minority Languages Affairs; Bob Davila, the Assistant Secretary for Special Education and Rehabilitative Services; and, of course, again Sally Christensen, the Director of the Budget Service.

I will again keep the record open at this point for any opening statements by Senator Specter or other Senators.

Senator HARKIN. Mr. Kolb, I understand you are going to proceed with an opening statement. Welcome back. If you could summarize by giving us the high points of what you think we should consider, I would appreciate it.

Mr. Kolb. Fine. Thank you very much, Mr. Chairman, members of the committee.

I am pleased to be here before you today to discuss the Department of Education's fiscal year 1991 budget for elementary and secondary education, bilingual education and special education, and rehabilitative services.

About 50 percent of our budget, nearly $12.4 billion, would be for the programs and the accounts that are before you now. I would like to highlight some of our budget proposals which focus on our highest priorities.

The Federal Government can assume an important role in fostering excellence and rewarding outstanding performance through funding the programs that were included in the President's proposed Educational Excellence Act of 1989. Our budget includes $357.6 million for four programs in these accounts: Presidential Merit Schools, Magnet Schools of Excellence, Alternative Certification of Teachers and Principals, and Presidential Awards for Excellence in Education. These programs will promote educational excellence and choice, improve and expand the pool of qualified school personnel and reward successful performance.

COMPENSATORY EDUCATION

For compensatory education for the disadvantaged, we are requesting $5.8 billion, a $521 million increase over the 1990 level. Programs in this account affect over 6.7 million children enrolled in approximately 14,000 school districts, or about 90 percent of the Nation's school districts.

To help ensure that all students entering school are ready to learn, we are requesting $48 million, double the 1990 level, for the Even Start Program which is aimed at giving educationally disadvantaged parents the literacy skills they need to help their children succeed in school.

SCHOOL IMPROVEMENT PROGRAMS

The budget includes $1.7 billion for school improvement programs, a $258 million increase over the 1990 appropriation. Included are funds for chapter 2 block grants, drug-free schools, the Eisenhower Mathematics and Science Education State Grants Programs, as well as numerous smaller programs in specific areas of national need, such as teaching and school administration and desegregation.

The President is committed to ridding the Nation's schools of drugs. We are requesting $593 million, a 10-percent increase, for the Drug-Free Schools and Communities Program, including the new Emergency Grants Program originally proposed by the President in the Educational Excellence Act.

Lowering the dropout rate is one of the critical elements in reducing this Nation's education deficit. Only 71 percent of our public high school students graduate with their entering class. To help schools address this problem, our budget includes $45 million for a new dropout prevention demonstration program to identify and disseminate effective strategies and programs designed to reduce the dropout rate.

For our Nation to remain economically prosperous and internationally competitive, we must raise our students' achievement levels in mathematics and science. We are, therefore, proposing $230 million, a 70-percent increase, for the Eisenhower Mathematics and Science Education Program.

BILINGUAL EDUCATION

The budget also includes $205.5 million for bilingual and immigrant education, an increase of $16.9 million over the 1990 level. The increase for bilingual education also includes $12 million for a special grant competition to provide assistance to districts that are frequently most in need of Federal support, that is, those districts that have recently experienced an influx of large numbers of limited English proficient students.

IMPACT AID

Our request of $660.9 million for impact aid maintains the Federal Government's commitment to compensating school districts for the cost of educating so-called "a" children, but we propose to eliminate payments for most "b" children because the presence of "b" children generally creates no significant financial burden for local school districts.

We are, however, proposing $25 million for "b" children who reside in or whose parents work on federally subsidized, low-rent housing property. These children frequently are from families living near the poverty level, thus generating little tax revenue for local school districts.

EDUCATION FOR THE HANDICAPPED

The budget also includes $2.1 billion for education for the handicapped and $1.8 billion for rehabilitation services and handicapped research, serving approximately 4.4 million handicapped children and nearly 1 million adults with handicaps.

PREPARED STATEMENT

I have discussed the highlights of the budget proposals you have before you at this time, but I would like to insert into the record a longer, more detailed statement by myself and my colleagues who administer these programs.

At this time, Mr. Chairman, we would be happy to answer any questions that you might have. Thank you.

[The statement follows:]

STATEMENT OF CHARLES E.M. KOLB

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the Department of Education's fiscal year 1991 budget for elementary and secondary education, bilingual education, and special education and rehabilitative services.

The President is proposing a budget totalling $24.6 billion for the Department of Education, an increase of more than $500 million over the 1990 level. About 50 percent of our budget, nearly $12.4 billion, would be for programs in accounts now before you. I will highlight some of our budget proposals, which focus on our highest priorities -- fostering educational excellence and rewarding outstanding performance, expanding preschool education, strengthening mathematics and science education, and providing a drug-free environment in our schools and communities.

The Federal Government can assume an important role in fostering excellence and rewarding outstanding performance through funding the programs that were included in the President's proposed Educational Excellence Act of 1989. Our budget includes $357.6 million for four programs in these accounts -- Presidential Merit Schools, Magnet Schools of Excellence, Alternative Certification of Teachers and Principals, and Presidential Awards for Excellence in Education. These programs will promote educational excellence and choice, improve and expand the pool of qualified school personnel, and reward successful performance.

For Compensatory Education for the Disadvantaged we are requesting $5.8 billion, a $521 million increase over the 1990 level. Compensatory Education funding is the largest Federal commitment at the elementary and secondary level, and accounts for about 24 percent of the total budget request for the Department. Programs in this account affect over 6.7 million children enrolled in approximately 14,000 school districts, or about 90 percent of the Nation's school districts.

To address our critical concern for preschool education and to help ensure that all students entering school are ready to learn, we are requesting $48 million, double the 1990 level, for the Even Start program. This program integrates early childhood and adult education into a unified program aimed at giving educationally disadvantaged parents the literacy skills they need tohelp their children succeed in school.

The budget includes $1.7 billion for School Improvement Programs, a $258 million increase over the 1990 appropriation. Included are funds for three major State formula grant programs -- Chapter 2 Block Grants, Drug-Free Schools and Communities State Grants, and Eisenhower Mathematics and Science Education State Grants -- as well as numerous smaller programs designed to provide Federal assistance in specific areas of national need, such as education for homeless children and youth, programs that help strengthen the professions of teaching and school administration, and programs to assist school districts in desegregation activities.

The President is committed to ridding the Nation's schools of drugs. We are requesting $593 million, a 10 percent increase, for the Drug-Free Schools and Communities program, an important component of the Administration's war on drugs. This program provides funds for formula Grants to States, a variety of National Programs, and the new Emergency Grants program, originally proposed by the President in the Educational Excellence Act, which targets funds to school districts with the most severe drug problems.

Lowering the dropout rate is one of the critical elements in reducing this Nation's "education deficit." Only 71 percent of our public high school students graduate with their entering class. To help schools address this problem, our budget includes $45 million for a new Dropout Prevention Demonstration program to determine effective strategies and programs designed to reduce the dropout rate and to disseminate to other schools information on successful dropout reduction programs. There are several other things the Department is doing to reduce the dropout rate. For example, in other accounts that I will discuss with you later this afternoon, we are requesting $5 million to support research and development on dropout prevention, including a national research and development center; and $8.2 million for an initiative under the Talent Search program to encourage seventh- and eighth-graders to begin to think about pursuing a college education and help them to seek postsecondary financial aid.

For our Nation to remain economically prosperous and internationally competitive, we must raise our students' achievement levels in mathematics and science. We are, therefore, proposing $230 million, a 70 percent increase, for the Eisenhower Mathematics and Science Education program, which provides formula grants to States as well as discretionary grants to upgrade the quality of instruction in mathematics and science.

The budget includes $205.5 million for Bilingual and Immigrant Education, an increase of $16.9 million over the 1990 level. These programs support projects that provide inservice staff development for teachers and administrators and direct services to limited English proficient students, many of whom are disadvantaged or "at-risk" children and who currently drop out of school at alarming rates. The increase for Bilingual Education includes $12 million for a special grant competition to provide assistance to districts that are frequently most in need of Federal support -- those that have recently experienced an influx of large numbers of limited English proficient students.

Our request of $660.9 million for Impact Aid maintains the Federal Government's commitment to compensating school districts for the cost of educating so called "a" children, those whose parents both live and work on Federal property. We propose to eliminate payments for most "b" children, those who reside or whose parents work on Federal property because the presence of "b" children generally creates no significant financial burden for local school districts. We are, however, proposing $25 million for "b" children who reside in, or whose parents work on, federally subsidized low-rent housing property. These children frequently are from families living near the poverty level, thus generating little tax revenue for local school districts.

Programs that enhance educational and vocational opportunities for handicapped persons remain a high priority for this Administration. The budget includes $2.1 billion for Education for the Handicapped, an increase of $82 million; and $1.8 billion for Rehabilitation Services and Handicapped Research, an increase of $59 million. These programs serve approximately 4.4 million handicapped children and nearly 1 million adults with handicaps. The Administration is requesting a lump sum amount for Special Purpose Funds in the Education for the Handicapped account. Upon enactment of reauthorizing legislation, we will submit to you our funding proposal for individual special purpose activities.

I have discussed the highlights of the budget proposals you have before you at this time, but I would like to insert into the record longer, more detailed statements by my colleagues who administer these programs. We would be happy to answer any questions you may have.

STATEMENT OF DANIEL F. BONNER

Compensatory Education for the Disadvantaged

Mr. Chairman and Members of the Committee:

I am pleased to appear before this Committee to discuss the 1991 budget request for Compensatory Education for the Disadvantaged. The Department places the highest priority on programs that benefit the educationally disadvantaged. It is imperative that we not only continue to provide resources for the education of the disadvantaged, but that we ensure that those resources are used wisely and that schools are held accountable.

Our request responds to that need. Fiscal year 1991 marks the third year of operation for the Chapter 1 program as reauthorized by the Hawkins-Stafford Elementary and Secondary School Improvement Amendments (P.L. 100-297). Our budget request of $5.8 billion for Compensatory Education for the Disadvantaged is a $521 million increase over the 1990 appropriation and reflects a continuing commitment to help States and localities meet the special educational needs of disadvantaged children. This account makes up one of the largest budget items within the Department, accounting for almost 24 percent of our total 1991 request.

Our 1991 request focuses funds on three priority areas: targeting resources on the most needy; supporting early intervention at the preschool level; and ensuring program improvement and accountability. As part of our effort to target funds on the needy and to raise the educational performance of the disadvantaged, we are requesting increases for Basic Grants to Local Educational Agencies, Concentration Grants, and the State Agency Migrant and Neglected and Delinquent programs. Our proposal to double funding for the Even Start program reflects our support for early intervention programs. To encourage and support program improvement and accountability, we are requesting a large increase for State Program Improvement Grants that help States provide educational services to school districts implementing program improvement plans. Increases are also proposed for State Administration to assist States in meeting their added technical assistance and administrative responsibilities resulting from Chapter 1's program improvement requirements and for Evaluation and Technical Assistance in order to support additional evaluations and to provide an analytical framework for the upcoming reauthorization process. To create incentives for schools to improve, particularly those that serve disadvantaged children, we are requesting a large increase for the Presidential Merit Schools program.

Grants to Local Educational Agencies

Chapter 1 Grants to Local Educational Agencies (LEAs) are the primary vehicle for providing compensatory education services to the disadvantaged. Within the LEA Grant program, we are requesting $4.5 billion for Basic Grants, which is $250.5 million more than the 1990 amount. These funds would be allocated under the basic grant formula that distributes funds to school districts that apply and have at least 10 eligible children. Consistent with the policy of targeting resources on areas with the greatest need, our proposed budget also includes $496 million for Concentration Grants, which is a $115 million increase over the 1990 amount. This allocation of funds between Basic and Concentration Grants follows the policy set forth in P.L. 100-297, the Hawkins-Stafford Amendments.

At the requested level, nearly 14,000 school districts, 90 percent of the districts in the United States, would continue receiving Chapter 1 funds in school year 1991-92. School districts would likely serve between 6.0 and and 6.2 million children with Basic Grant and Concentration Grant funds. However, this range is strictly an estimate because local school districts, not the Federal Government, determine the actual number served in any year. Program data attest to the large variation in the ways States and localities choose to use their Federal funds. In the 1987-88 school year, which is the latest year for which actual participation data are available, the program served 4.9 million children and the average Federal contribution per child ranged from $467 to $1,172, depending on the State.

Capital Expenses for Private School Children

For Capital Expenses for Private School Children, our budget includes $25.7 million, the same as last year's amount. These funds help school districts pay for the additional capital costs, incurred since July 1, 1985, of providing Chapter 1 services to private school students as a result of the *Felton* decision. Because of this Supreme Court decision, school districts have had to divert Chapter 1 funds ordinarily used for instruction to pay for the cost of noninstructional items, such as the purchase or rent of mobile vans and transportation of children to neutral sites.

Even Start

In keeping with the Secretary's belief in the importance of and benefits derived from early intervention, which was reaffirmed by the President and governors at the Charlottesville Education Summit, we propose to increase funding for the Even Start program from $24.2 million to $48 million -- nearly double last year's amount. This program integrates early childhood education and adult education for parents into a unified program to provide educationally disadvantaged adults with the basic literacy skills needed to help their children succeed in school. The requested increase would enable the program to operate an estimated 131 new projects in 1991, and continue funding for about 127 projects begun with 1989 and 1990 funds.

State Agency Programs

For the Chapter 1 Migrant program, we are requesting $293.7 million, an increase of $11.3 million over the 1990 level. Of this amount, about $8.4 million would support migrant coordination activities, including the Migrant Student Record Transfer System, and the remainder would support compensatory education activities provided by the State. In 1987-88, the latest year for which actual participation data are available, 386,000 children received services in the Migrant program.

For the Neglected and Delinquent program, we are requesting $34.1 million, a $1.3 million increase over the 1989 appropriation level. The increased funding for States is consistent with our general policy of focusing resources on programs that serve a needy population. In 1987-87, the latest year for which actual data are available, States provided services to 52,000 students.

Our budget includes $146.4 million in 1991 for the Chapter 1 Handicapped program, the same as the 1990 appropriation. In 1989-90, 266,200 children were counted and served by the program. Our request for level funding for this program, unlike the increases for the other State agency programs, stems from a strong belief that additional funds for educating the handicapped should be provided through the Education of the Handicapped Act State Grant program.

State Administration

To permit States to fulfill the various administrative requirements of Chapter 1, our 1991 budget request includes $54 million for State Administration. This is a $3.8 million increase over the 1990 amount. These funds will help States carry out their administrative and technical assistance responsibilities, which have grown in recent years because of the added accountability and program improvement requirements of the statute.

State Program Improvement Grants

For State Program Improvement Grants, our request provides $24 million, an $11.5 million, or 91 percent, increase over the 1990 level. This increase underscores our commitment to promoting accountability for program results at the State and local level. The proposed increase would enable States to provide additional educational services to school districts implementing school improvement plans. All of these funds must be used by States for direct services to schools.

Evaluation and Technical Assistance

We are requesting $15 million for Evaluation and Technical Assistance, a $3.1 million increase over the 1990 appropriation level. The additional funds are needed to support the third year of the longitudinal study in which data needed to assess the impact of Chapter 1 participation on student and adult outcomes will be gathered. Additional funds will also be used to conduct program studies that would focus on gathering evaluation data useful to the upcoming reauthorization process. Technical assistance activities would continue at their previous year's level.

Rural Technical Assistance Centers

We propose to fund the Rural Technical Assistance Centers at the 1990 level of $4.4 million. The services authorized under this program are designed to help rural districts address the special problems that the evaluation and program accountability requirements of Chapter 1 present for those districts, which tend to have few staff with sufficient expertise in program evaluation.

Presidential Merit Schools

For Presidential Merit Schools we are requesting $225 million, a $100 million increase over the 1990 contingent appropriation. This program, first proposed by the President as part of the Excellence in Education Act of 1989, is central to the Administration's campaign to raise academic achievement by strengthening accountability and providing financial incentives for educational success. Funds for this program would be used by States to reward schools that make substantial progress in raising students' educational achievement, creating a safe and drug-free school environment, and reducing the dropout rate. At the school level, the funds could be used for any purpose that furthers the school's educational program.

HEP and CAMP

Finally, we are requesting $9.6 million for the High School Equivalency program (HEP) and the College Assistance Migrant program (CAMP) -- the same as the 1990 appropriation. This request would enable the Department to support project continuations for the current cycle of grants for both programs.

My colleagues and I will be happy to respond to any questions you may have.

Impact Aid

We appreciate this opportunity to appear before you to discuss the President's 1991 budget request of $660.9 million for Impact Aid program activities under Public Law 81-874 and Public Law 81-815. This request maintains the Federal Government's commitment to compensate school districts for the cost of educating children when enrollments and the availability of revenue from local sources have been adversely affected by Federal activities.

The President's budget includes $618.9 million for Maintenance and Operations activities under Sections 2 and 3, $15 million for Disaster Assistance, and $27 million for Construction projects. The 1991 request is 9.8 percent less than the 1990 appropriated level. This decrease reflects the decision to propose the elimination of most payments for "b" children, who reside on or whose parents work on Federal property. With the exception of children who reside on or whose parents are employed on federally subsidized, low-rent housing property, for whom we are requesting $25 million, the presence of these "b" children creates no major financial burden for local school districts. Payments would continue to be made on behalf of "a" students, who live on and whose parents work on Federal property, or who live on Indian lands, and thus do not generate local property tax revenue. Consistent with recent changes to the funding formula, payments for "a" students would continue to be focused on those school districts that are the most heavily burdened by the effects of Federal activity.

Maintenance and Operations

Of the $618.9 million requested for Maintenance and Operations, the President's budget includes $578.5 million for Section 3(a), the same as the 1990 appropriated amount. These funds are used for making payments for children who reside on and whose parents live on Federal property or who reside on Indian lands. For section 3(b), the President's budget includes $25 million for eligible districts enrolling children who live in federally subsidized, low-rent housing. We believe that, unlike other categories of "b" students, children who reside in low-rent housing typically bring with them special educational needs for which school districts should receive some financial assistance.

The formula for payments under Sections 3(a) and (b) would continue to provide higher rates of payment for districts with higher proportions of federally connected children.

The statute earmarks a maximum of $20 million of Section 3 funds for additional payments to districts eligible under Section 3(d)(2)(B). These are districts that are particularly heavily burdened by the presence of federally connected children, that do not have sufficient funds to provide a level of education equivalent to that of comparable districts in their States, and that meet additional criteria in the program statute. In addition to Section 3(a) students, Section 3(b) children from federally subsidized, low-rent housing would be counted for eligibility and payments under Section 3(d)(2)(B) in 1991. The statutory maximum for payments under this provision is an amount that should be sufficient to cover these payments for eligible districts in 1991.

The $15.4 million included for Section 2, which is the same as the 1990 appropriation, will provide approximately 62 percent of full entitlement for 260 applicants currently eligible for the program.

Disaster Assistance

For fiscal year 1991, the budget includes $15 million for Disaster Assistance. This request is expected to be sufficient for all claims for disaster assistance in 1991.

Construction

The President's budget requests $27 million for awards under Sections 5, 10, and 14 of the Construction program, the full amount authorized in the statute.

The budget includes $10 million for projects under sections 14(a) and (b), an increase of $2.5 million over the 1990 appropriation. Sections 14(a) and (b) authorize construction grants to school districts that are comprised mainly of Indian lands or that serve children residing on Indian lands. Many of these districts report a compelling need for new or additional facilities, yet they appear to have the least funds available from other sources.

Section 5 authorizes assistance for school construction in areas experiencing an increase in Federal activity, and Section 14(c) authorizes construction assistance to school districts that are comprised mainly of Federal lands and that have a substantial number of inadequately housed pupils. Grants under these sections are generally for only a small proportion of the total cost of the projects. The amount of $7 million is requested for these sections; no funds were appropriated for this purpose in 1990.

For Section 10, which authorizes the repair and construction of facilities to serve children residing on Federal property, the 1991 request includes $10 million, an increase of $2.5 million over the 1990 appropriation. In addition to making emergency repairs to buildings owned by the Department of Education, these funds would be used in conjunction with the Department of Defense to continue implementation of the recommendations in the Departments' joint report to the Congress on school facilities on military installations.

My colleagues and I will be happy to respond to any questions you may have.

School Improvement Programs

I appreciate this opportunity to appear before you to present the fiscal year 1991 budget request for School Improvement Programs.

Programs in this account reward excellence and success, promote choice and flexibility, strengthen the quality of teaching and school administration, and support educational reform. Taken together, these programs contribute measurably to the goal of improving educational achievement -- one of the major themes of the Department's 1991 budget.

Summary of Budget Request

For School Improvement Programs, the request totals $1.7 billion, a $258 million, or 17.9 percent, increase over the 1990 level. These funds will support programs that help school districts demonstrate successful ways to reduce dropout rates, increase the quality of instruction in mathematics and science, provide school officials with tools to overcome problems associated with alcohol and drug use among students, train and reward teachers, and promote school reform.

Under our request, most programs in this account would be funded at approximately their 1990 levels, because the amounts are adequate to support continuing activities or because the programs are at their fully authorized levels. Small increases are proposed for Chapter 2 Block Grants, Arts in Education, Inexpensive Book Distribution, and Christa McAuliffe Fellowships, to continue current services under these important programs, and for the Leadership in Educational Administration program, to complete the mandated sixth and final year of funding for all grantees. For six programs, the budget includes reduced or no funding, because these programs have met their objectives or support activities that can be supported under other authorities.

Finally, the budget includes first-time funding or sizeable increases for several high priority programs. These are:

- o Controlled demonstrations in dropout prevention;
- o Drug-Free Schools and Communities;
- o Eisenhower Mathematics and Science Education;
- o Magnet Schools of Excellence;
- o Alternative Certification of Teachers and Principals; and
- o Presidential Awards for Excellence in Education.

I would like now to describe briefly our proposals for these six priority programs.

Dropout Prevention Demonstrations

The Department's budget includes $50 million for an initiative in dropout prevention. Of that amount, $45 million is requested under this account to conduct a controlled demonstration program to test and evaluate promising strategies in dropout prevention and recovery. To complement this demonstration effort, an additional $5 million is requested under the Research, Statistics, and Improvement of Practice account for research and development activities designed to provide useful information about how to improve the academic performance of secondary school students and reduce the number of dropouts.

The $45 million demonstration program will employ a two-pronged approach. At least half the funds will be reserved for specified, comprehensive dropout prevention and recovery models. The models will be based on the latest research, developed in consultation with an independent panel of experts, and published in the Federal Register as proposed funding priorities. The remainder will support locally developed, but also research-based, dropout prevention and recovery projects. These projects will be required to address the published priorities, but grantees will be given the flexibility to adapt them to address the specific needs of their target population.

Drug-Free Schools and Communities

The illegal use of alcohol and other drugs in many of our communities constitutes a serious impediment to learning among young people and is a major cause of violence in our Nation's schools. For 1991, the Department is requesting $593.3 million for Drug-Free Schools and Communities, a 10 percent increase over 1990. These funds are used for grants to States for drug prevention education in schools and communities and to institutions of higher education for programs on campus. They are also used to train school personnel in the implementation of drug prevention education techniques and for numerous other activities to help young people understand why they must reject drugs.

While the scourge of drugs is found in neighborhoods throughout the country, the problem can be particularly acute in certain areas. We are very pleased that President Bush's proposal for an Emergency Grants program was authorized by the Congress as part of the recent amendments to the Drug-Free Schools and Communities Act. In 1990, we will distribute $24.7 million among the Nation's Governors for Emergency Grants to a limited number of the most seriously affected school systems to develop and test comprehensive approaches for achieving a solution to their drug problems. For 1991, we are requesting $25 million -- the fully authorized amount -- to conduct this activity as a national discretionary program, as specificed in the authorizing statute.

Eisenhower Mathematics and Science Education

The budget includes $230 million, a 70 percent increase, for the Eisenhower Mathematics and Science Education program. Improvement of mathematics and science education is one of the Administration's highest priorities for education. Secretary Cavazos has repeatedly spoken out on the need to raise educational achievement levels in mathematics and science and to open up opportunities in those fields to women and minorities. This program supports formula grants to States and national discretionary grants to a variety of recipients to upgrade the level of instruction in mathematics and science, areas in which improved performance is critical for keeping America competitive in an increasingly technological world.

Magnet Schools of Excellence

The budget contains $100 million -- double the amount contingently appropriated in 1990 -- for Magnet Schools of Excellence, a program proposed by President Bush in the Educational Excellence Act. Under this program, the Department would award funds on a competitive basis to school districts for magnet schools, without regard to the presence of desegregation plans. The Department currently supports magnet schools as an aid to desegregation. We believe this approach should be available to all school districts as a means of achieving educational improvement goals as well. Magnet schools increase parental choice, expand opportunities for children, and ultimately improve the quality of all schools in a district.

Alternative Certification of Teachers and Principals

The budget includes $25 million for the Alternative Certification of Teachers and Principals program. Under this new program, which is included in the Educational Excellence Act, the Department would award one-time grants to States to help them develop and implement systems to allow recruitment of teachers and principals from among the large pool of talented professionals who have demonstrated subject area competence and leadership qualities in fields outside education.

Presidential Awards for Excellence in Education

President Bush believes that improvement in the schools depends most heavily on teachers, and that excellent teachers deserve tangible recognition on a national level. In support of this principle, the budget contains $7.6 million for Presidential Awards for Excellence in Education -- a program that is also included in the Educational Excellence Act. Under this program, awards of up to $5,000 would be given to teachers in every State who meet the highest standards of excellence. The number of teachers receiving awards in each State would vary with the size of the State.

Mr. Chairman, this concludes my prepared remarks. My colleagues and I will be happy to respond to any questions you may have.

STATEMENT OF RITA ESQUIVEL

Mr. Chairman and Members of the Committee:

I am pleased to appear before the Committee today to testify on the fiscal year 1991 budget for Bilingual and Immigrant Education. The budget request for the programs in this account is $205.5 million, $16.9 million more than the 1990 appropriation. The increase reflects the Department's emphasis on programs serving a population that is generally disadvantaged and, in the absence of special programs, may drop out of school, depriving this country of their many potential contributions.

Last month the Office of Bilingual Education and Minority Languages Affairs hosted a forum on personnel needs for districts with changing demographics. In this forum eight school superintendents, eight assistant superintendents for personnel, and eight deans of schools of education provided the Department with extremely useful advice for the improvement of our programs to serve limited English proficient students. The Department has begun to act on this advice in the conduct of 1990 funding competitions. This advice is also reflected in the 1991 budget request and will have an even greater impact on next year's budget request.

Bilingual Education

For Bilingual Education, $175.4 million is requested, an increase of $16.9 million, or 11 percent, over the 1990 level. All of the increase is requested for Part A, Bilingual Programs since these projects provide both direct services to limited English proficient students and in-service staff development for teachers.

Bilingual Programs

For Part A, Bilingual Programs, $132.6 million is requested, $16.9 million more than the 1990 appropriation. This increase will fund some 152 additional school district projects serving an estimated 41,000 more limited English proficient students. Of this increase, $12 million will be used for a special competition limited to school districts experiencing a major, recent influx of limited English proficient students. These districts often need special assistance in coping with short-term difficulties which this special competition will thelp them overcome.

The Hawkins-Stafford Elementary and Secondary School Improvement Amendments of 1988 provided a significant increase in the flexibility of local education agencies to select the most appropriate instructional method. The Department began implementing this new flexibility in the 1989 awards process. In 1991, a large share of Part A funds will be allocated to transitional bilingual education, special alternative instructional programs, and developmental bilingual education, the three activities that are most directly focused on assisting limited English proficient children learn English and meet grade promotion and graduation requirements. The Department intends to continue its policy of making, to the maximum extent possible under the law, awards for activities on the basis of quality rather than instructional approach. In recognition of congressional desire for increased funding for developmental bilingual education, the Department will initiate approximately 17 new grants in 1990. In fiscal year 1991, we request funding adequate to continue these projects. We are closely monitoring these projects and will base future budget requests for this activity on the relative success of these fiscal year 1990 awards.

Bilingual Support Services

Under Part B, Bilingual Support Services, $10.8 million is requested. All Part B activities would continue at 1990 appropriation levels. These activities include State educational agency grants for data collection and for a variety of technical assistance activities, and contracts for research and evaluation studies, two evaluation assistance centers, and a clearinghouse.

Bilingual Training Grants

Under Part C, Bilingual Training Grants, $31.9 million is requested, the same as the 1990 appropriation. Enactment of the request would require the Congress again to override the 25 percent set-aside for Part C. Over a 21-year period, the Department has invested $500 million in training activities. These activities have assisted some 250 institutions of higher education to operate teacher training programs, helped local school districts in their teacher staff development efforts, and funded Multifunctional Resource Centers to assist local school districts in training staff. In response to fiscal year 1990 appropriations language, the Department will make 200 bilingual fellowship awards. The funds requested in the 1991 budget will continue those awards and support an additional 100 new fellows.

Immigrant Education

Under the Immigrant Education program, $30.1 million is requested, the same level as in 1990. Last year the Department proposed legislation for Immigrant Education that +would require that grants be used only to provide supplementary education programs for immigrant students. The Department continues to support this proposal.

My colleagues and I would be happy to respond to any questions you have regarding the 1991 budget request for the Bilingual and Immigrant Education programs.

STATEMENT OF ROBERT R. DAVELA

Mr. Chairman and Members of the Committee:

I am pleased to appear before this committee to testify on the fiscal year 1991 budget for Education for the Handicapped. The budget reflects the Department's continuing priority on the education of children with disabilities.

The fiscal year 1991 budget of over $2.1 billion includes $1.96 billion for the three State Grants programs, an increase of $82 million over the 1990 appropriation. This increase would provide additional funding to assist States in educating the children with disabilities for whom they are responsible under the Education of the Handicapped Act and in developing their statewide programs of early intervention services for infants and toddlers with disabilities and their families. The budget also includes $181.9

million for Special Purpose Funds that support a wide variety of research, demonstration, training, and other activities directed at improving the quality of early intervention and educational services for children with disabilities.

Grants to States

The budget for the Grants to States program is $1.62 billion. This budget will assist States in serving approximately 4.4 million children with disabilities. The budget provides an increase of $73 million over the 1990 appropriation to assist States in expanding services to an estimated 44,000 additional children and to help cover increases in costs. The budget would provide a Federal share of $365 for each child served, an increase of $13 over the 1990 level. It would maintain the Federal share of the excess cost of educating handicapped children at about 7 percent.

Preschool Grants

The budget for the Preschool Grants program is $257.7 million, an increase of $6.2 million over the 1990 level. The budget increases the Federal share for each 3 through 5 year old child served from $662 to $726 for an anticipated 355,000 children. This represents an increase of 4,000 children over the number expected to be served for fiscal year 1990.

Grants for Infants and Families

The budget for the Grants for Infants and Families program is $82.7 million, an increase of about $3.2 million over the 1990 appropriation. The increase will assist States in meeting increases in costs as they continue to develop their statewide programs of early intervention services for handicapped infants and toddlers and their families.

Special Purpose Funds

Special Purpose Funds programs are authorized under the General Education Provisions Act extension through September 30, 1990. There is no current authorization for fiscal year 1991. As soon as reauthorizing legislation is enacted, a budget request totaling of $181.9 million will be submitted to Congress for these programs. This is slightly greater than the amount appropriated in 1990. Amounts requested for specific activities will be determined at that time.

Rehabilitation Services and Handicapped Research

I appreciate this opportunity to appear before you to present the fiscal year 1991 budget for the Rehabilitation Services and Handicapped Research account.

The 1991 budget includes a total of $1.8 billion for this account, an increase of $59 million over the 1990 appropriation level. This funding level will allow for inflation increases in the four State grant programs. The State grant programs provide the majority of direct services to persons with disabilities funded through this account. Our request reflects the Administration's commitment to programs that provide opportunities to severely disabled persons. In keeping with this commitment, we are also proposing a 35 percent increase in the Technology Assistance program.

Basic State Grants

The 1991 budget includes $1.6 billion for Basic State Grants, an increase of $68.8 million over the fiscal year 1990 appropriation. The 1991 level would enable States to maintain their ongoing programs of rehabilitation services to disabled persons and to continue giving priority to severely disabled individuals. In addition, the increase satisfies the statutory requirement to increase program funding by at least the percentage change in the Consumer Price Index for Urban Consumers for the 12-month period completed in October 1989. Approximately the same number of disabled persons are expected to be served and rehabilitated in fiscal year 1991 as in fiscal year 1990.

The Indian program is funded from a set-aside from the Basic State Grant program. The budget includes an increase of $172,000 over the fiscal year 1990 appropriated level, for a total of $4.0 million. This level would allow for the funding of about 15 projects including 12 continuations and new projects.

Supported Employment State Grants

We are proposing $28.8 million for the Supported Employment formula grant program, an increase of $1.2 million over the fiscal year 1990 level. Our request reflects the high priority we place on State-operated programs that provide opportunities to severely disabled persons.

Client Assistance Program

The 1991 budget includes $8.2 million for the Client Assistance Program, an increase of $332,000 over the fiscal year 1990 appropriation. These funds should enable agencies to continue to provide the full range of protective and assistive services specified by the law.

Service and Demonstration Projects

The budget includes $17.5 million for Special Demonstration programs. This is the same level as the fiscal year 1990 appropriation, excluding the 1990 one-time appropriation of $14.8 million for establishing four head injury centers. Supported Employment Projects, Projects with Industry and Migratory Worker Projects are also proposed at the fiscal year 1990 appropriation levels of $9.9 million, $18.8 million and $1.1 million respectively. No funds are requested for Recreational programs in 1991. Recreation is an activity more appropriately funded by private charities, local organizations, and other non-Federal sources.

Helen Keller National Center

We are requesting $5.2 million for the Helen Keller National Center, an increase of $260,000. This level will offset the effect of inflation and compensate for salary and benefit increases at the Helen Keller headquarters facility and 10 regional offices. It will also provide funds for an expansion of the community work experience program.

Independent Living Programs

The fiscal year 1991 budget for Independent Living programs would continue funding for Centers for Independent Living at the 1990 level of $26.7 million and provide $5.8 million for Independent Living Services for Older Blind Individuals, the same level as the fiscal year 1990 appropriation. We continue to emphasize the importance of statewide coverage and statewide coordination of services. Therefore, the budget includes $13.5 million, an increase of $543,000, for the Comprehensive Services for Independent Living Program.

Training

The budget includes $31.1 million for Training, the same as the fiscal year 1990 appropriation. Funds requested for 1991 will be used to cover continuation costs and new projects in most long-term training categories, and to continue support for experimental and innovative training, regional continuing education, State inservice training, and training programs for interpreters for persons who are deaf. Over one-third of the funds would be available for new awards. Funds would be directed toward manpower needs identified by the Department's analysis of shortage areas.

National Institute on Disability and Rehabilitation Research

We are proposing $54.3 million for the National Institute on Disability and Rehabilitation Research, the same as the 1990 appropriation. The budget will provide support for 40 rehabilitation research and training centers and 19 rehabilitation engineering centers. In addition, it will support a wide range of discretionary research, demonstration, dissemination, and training activities including funds for continuation grants and approximately 70 new awards. Field-initiated research has grown substantially during the past few years. The budget would allow NIDRR to support approximately 16 more field-initiated research projects than it expects to support in 1990.

Technology Assistance

The Department recognizes the major contribution that assistive technology devices and services can make to improving the quality of life, enlarging opportunities for education and employment, and reducing communication barriers for disabled persons of all ages. The budget includes $20 million, an increase of $5.2 million, for the Technology Assistance program, which is administered by NIDRR. This increase reflects the priority the Department has placed on the development and implementation of comprehensive statewide programs of technology assistance. The budget will support 12 new and 22 continuation grants to assist States in developing statewide programs of technology-related assistance. In addition, it will provide $500,000 for technical assistance to States and will provide funds to complete the national evaluation of the State grant program. An estimated $1 million will provide for the continuation of 10 model projects expected to be funded under Title II of the Act in fiscal year 1990.

Evaluation

The 1991 budget requests $1 million for Evaluation, the same as the 1990 appropriation level. Studies on State vocational rehabilitation program quality assurance systems and the recruitment and retention of rehabilitation personnel to be initiated in 1990 will be continued. Our request would also allow for the initiation of one or two new evaluations. The Department has a strong interest in ensuring the accountability and effectiveness of rehabilitation programs.

Thank you, Mr. Chairman and Members. I will be pleased to answer any questions you may have.

MATH AND SCIENCE EDUCATION

Senator **Harkin**. Mr. Kolb, thank you very much for that succinct wrap-up of the budget requests. I appreciate that very much. I see there are other statements here. They will made a part of the record.

First of all, I want to focus a little bit on math and science programs. GAO prepared this chart for us, using information from the International Association for the Evaluation of Educational Achievement. What it shows is rank order for 10-year-olds, grade four and five, and 14-year-olds, grade eight and nine, in science achievements. For 10-year-olds, grade four and five, the United States ranks No. 8; for 14-year-olds, grade eight and nine, we are tied with Singapore at 13. There are many countries in that area down there: England, Singapore, and Thailand.

These numbers I believe are frightening when you consider our future ability to compete in the international marketplace. I am pleased to see you have proposed a significant increase for the math and science education program.

Now, how much was that increase? Refresh my memory.

Mr. **Kolb**. We are requesting a 70-percent increase for the Eisenhower Program, going from a little over $126 million up to $230 million. If you look at other programs, in addition to the Eisenhower Program, in other components of the Department, you see an overall increase from about $180 million to a little over $290 million.

So, again, this is a major theme of this budget, as well as, of course, the President's education initiatives. And I think those are reflected very clearly in this. We can spell that out in more detail this afternoon, if you like.

EISENHOWER MATH AND SCIENCE EDUCATION PROGRAM

Senator **Harkin**. Tell me about the Eisenhower Program. How does that work?

Mr. **Bonner**. The Department awards grants to States. Allocations are made according to a formula based on each State's population ages 5 to 17 and the previous year's chapter 1 allocation. The States allocate 90 percent of their elementary and secondary allocation to local education agencies to be used to address needs specified in their applications to the States. Local education agencies use their funds principally for inservice teacher training and retraining.

The Eisenhower Program, which provides inservice and preservice training for teachers, also attempts to address problems of underrepresentation of underserved minorities as an important part of the legislation. We feel that, among other things, providing role models for minority students, especially those who are educationally deprived, is an extremely important component of this effort.

Senator **Harkin**. So, the Eisenhower Program reaches into elementary?

Mr. **Bonner**. Yes, indeed.

Senator **Harkin**. Elementary schools.

Mr. **Bonner**. Yes, sir.

Senator **Harkin**. Right now the math and science program, as I understand—and correct me if I am wrong—provides about $5,400 per school district. With the increase you are proposing, big as it is, each school district will be receiving slightly more than $9,000 per school district.

Do you think that giving each school district an average increase of $3,600 will have a significant impact on the problem that we see on that chart?

Mr. **Bonner**. Taken in conjunction with other efforts under way, which I would like to briefly describe, we believe that that as a component, getting at teachers, getting a consciousness of the importance of math/science education and improving techniques for imparting that to the students, can be accomplished under this program. Using consortia of businesses and community experts, especially colleges working closely with State agencies for higher education and the like, we approach one important dimension of the problem.

But we feel also that our coordination efforts with other departments, such as working with the Department of Energy are essential. The Secretary of Energy has voiced great concern for what we feel is a shortfall of great magnitude in math and science education after the year 2000. He has taken steps to work on this problem through the laboratories.

The National Science Foundation is also acutely aware of the importance of targeting aid for developing students as scientists and developing a consciousness there.

But what we have not had to date is a comprehensive, coherent strategy, and that is what is being developed with great consciousness and urgency.

Mr. **Kolb**. Mr. Chairman, I wonder if I could just add one point to that. If you will let me play with your chart a little bit, I will try and make a point.

I think if you take the word "science" off that chart and put the word "math" up there, the rankings would be pretty much the same. To answer your question of will this money fix everything, I think the answer clearly is "no." It is, however, an indication of a major commitment, a dramatic increase in these programs, but let me just share with you one fact which I think answers your question.

Korea is at the top in science and math and the United States is either in the middle or below that. But what happens when you ask those Korean kids who are at the top how they are doing in mathematics? The same people who take these tests, the Korean kids who are at the top of the chart, say: "Well, we think we can do better." And then you turn around and you ask the American kids who are either in the middle or below how they think they are doing, and their answer is: "We think we are doing fine." I think that example is relevant because it does tell you that the money will help, obviously, but it is not going to answer the problem completely.

I think we have an issue of classroom rigor and commitment to math and science learning. And we have developed a strategy. Part of it is reflected in the budget increase. Part of it is reflected in our request for additional research and development money for centers around the country. Part of it is in the activities of the National Assessment for Educational Progress and, as Dan Bonner pointed out, the coordination with other Government entities. But I think you really have to start with the students in the classroom.

MATH AND SCIENCE EDUCATION

Mr. **Bonner**. Mr. Chairman, I would add to that that the Chapter 1 Program, in which we have a considerable investment, involves over 40 percent of the students in math and science remediation.

Senator **Harkin**. We have a teacher based program where math teachers, during the school year or during the summer, can go to keep up with the new math and the new teaching techniques in math and science.

The Eisenhower Program is more teacher training than anything else?

Mr. **Bonner**. It was formerly title II.

Senator **Harkin**. That's right. It was title II, exactly.

Mr. **Bonner**. That is, the name changed with the Hawkins-Stafford amendments in 1988 to the Dwight D. Eisenhower Math and Science Education Program.

Senator **Harkin**. Mr. Kolb, you talked about the students in the classroom. How do you think we're going to change that? Do we throw up our hands and say there is nothing we can do about it?

Mr. **Kolb**. Oh, absolutely not. But I think it requires a commitment from the top down. Of course, if you look at the goals that the President announced in the State of the Union and that the National Governors Association will be meeting on this week, I think that is a good place to start.

Somehow we have to change the attitude in terms of what goes on in the classroom with regard to the importance of math and science, and actually even beyond math and science. There has to be a recognition that what you do in the classroom now will make a difference when you go on to secondary school or if you go beyond. Somehow that mentality, that attitude, seems to be lacking among our students. There is not a real drive to excel and to do better. I know I am generalizing, but I think there have been enough studies and polls and surveys that will bear that out.

And, of course, the strategy here, as I said, is backed up by a financial commitment. But for these goals to work, quite frankly, things have to be done differently in each classroom in America. If there are no changes at the smallest level, the level closest to the students, I do not think the goals will work.

Senator HARKIN. Is there a role for the Federal Government in that?

Mr. KOLB. Oh, absolutely. If you look at what we have done in terms of math and science or the proposals in our budget that will address teacher training, again I think we are trying to address the problem, as Dan has explained, in math and science. And if you like, we can go into some detail with respect to the increases we have proposed for various teacher training programs.

Also, the administration and the Secretary are requesting funds for a new program that would be funded at $25 million to enhance the effectiveness of principals because again the research shows that one of the most critical aspects of a school that can help ensure its success is having a strong principal who exercises leadership not only in terms of getting discipline under control and drugs out of the school, but also ensuring that learning occurs in the classroom. And again, I have seen studies—I am sure you have seen studies—that show that so many teachers and principals have to spend time controlling students rather than educating students.

"SMOOTHER SAILING" DRUG PREVENTION PROGRAM

Senator HARKIN. Well, I understand that. And again, society has changed. The makeup of our society has changed. Sometimes I wish we could go back to the way it was when I was in school, but that is probably not going to happen.

We have a program that started in Des Moines, IA, called "Smoother Sailing." Actually it was funded out of the private sector first. Businesses such as the McDonald's Corp. put a lot of money into it. It is kind of an experimental program. It has been going on for 2 years now.

It is basically involved in drug education, but it starts with kindergarten through eight. It is an ongoing program where they have reduced the pupil to counselor ratio. The ratio was about 1 to 1,200. They reduced it down to 1 to 250, a dramatic reduction. So, they went out and hired a bunch of counselors, well-trained counselors, to work right in the school with these kids.

I spent some time looking at this program. It is not just a program where they teach kids about drugs. But they take these young kids in a school setting, and they take them to a separate room at different times of the day and counsel with the kids about problems they are having, talk with them.

I was intrigued by the fact that one of the aspects of the program was that the counselor stands in the doorway of the school the first thing in the morning, and the first person the kids see when they come to school is the counselor, sort of like their rock.

In fact, I thought it would be sort of demeaning for these kids to be taken out of a classroom. The counselor goes in the classroom and reads a list of kids and come with me and we will go to a separate room. I thought, well, other kids would say, ah-ha, you've got to go, that kind of demeaning aspect. But I found out that was not true. Kids were actually fighting with one another—not fighting, but were vying with one another to go with the counselor.

These are kids representing all spectrums of society, and you have kids that I saw that day from very nuclear families, very loving, caring parents who do homework with their kids all the way to one young kid I remember whose dad was in the penitentiary and whose mother was a drug addict. He had seen a lot of violence, a lot of violence in the home. For that child, the best part of his day was when he was at school. The safest part of the day, the most loving and caring part of the day was when he was at school. He was getting no support at home. And quite frankly, there is a lot of that. I do not need to tell you that out there.

And so, I guess what I am getting to is you talk about these kids, Mr. Kolb, in the schools and getting the desire to learn and stuff, and you say a lot of teachers are spending their time doing things other than teaching. Do you want to know who the strongest supporter of the Smoother Sailing Program is in Des Moines now? The teachers, because they are no longer counseling. They say we are not qualified for it. We want to teach, but now they have an atmosphere in which they can teach.

Now, does it cost money? You bet it costs money when you hire a qualified counselor with a master's degree that is qualified in counseling and you get one for every—maybe it is 200 or 250.

But I challenge you to talk to people in that school system in Des Moines and see what they think of that program.

Mr. **Kolb**. I think we actually have met with them.

Senator **Harkin**. Oh, you have?

Mr. **Kolb**. Oh, yes.

Senator **Harkin**. Great.

DRUG PREVENTION PROGRAMS

Mr. **Kolb**. Actually, if I am correct, it was one of the first groups I met with when I took this job. And, in fact, if I have the date right, it was one of the principals from one of the schools that really caused me to think quite a bit about some of the problems that the schools have. And she told me about a situation where they recently in her school had found a first-grader selling crack, not using but selling crack.

And then the same principal from Des Moines came to me in the same meeting and said: "We also had a 3-year-old come in and say, look, what do I do about this problem with drugs? I hear your message. I understand don't use drugs. I understand it is a bad thing, just say no and all that. But what happens when I go home at night and both my parents use drugs?" So, that is the problem.

Senator **Harkin**. But that is where this counseling program comes in because they are building up that self-esteem in these kids, a sense of self-worth.

Mr. **Kolb**. And you are raising their expectations to understand a little bit about what their futures could be like because the counselor is helping to sort of make the link between what they are doing in the classroom and what their future can be like.

Senator **Harkin**. So, maybe we have been going down the wrong path. We have been trying to get teachers to do all these things.

Maybe what we need is a new element in these schools and that is what this kind of counseling that takes care of.

I was just in the last couple of months talking to someone involved in the Des Moines school system, and they said that usually you have to do longitudinal studies to find out what the effect of a program is, or will be, 10 or 15 years from now. And they said just in a year they can show demonstratively with troubled kids. Kids don't study, low achievers, the ones always getting in fights, they can show demonstratively what they have done just in 1 year with those kids in terms of their grades, their attitudes, the lack of fights and disturbances.

A lot of times these counselors even go out to the homes of these kids. They will go right out to the home of these kids. But that is their job. That is all they do. They do not teach anything. They just counsel with these kids.

And I have to tell you, again, this came from the private sector. The McDonald's Corp. came in to see me as the chairman of this subcommittee, and they said that their initial valuation of this program was very positive. They would like to take it nationwide, and they wonder what we in government are willing to do. You talk about a turnabout. It is usually the other way around. We are going out there and asking what are you going to do? They are coming and saying they are willing to do it. What are we going to do?

And I would really like to see what we could do to implement a program like this on a broader basis. Now, Des Moines may be a particular situation. Maybe let's see what it is like in some more inner city type schools and things like that and see how it works. I think it needs to be tested some more and evaluated some more beyond the confines of a rural setting.

And I do not think that it is just simply a drug education program. That is sort of the way it was implemented, but it goes way beyond the bounds of that.

I hope you really do take a look at that.

MENTORING PROGRAMS

Mr. Kolb. How about if I make a commitment to you to do precisely that?

We have, in fact, done something very similar in the area of mentoring programs, which I think are just as important. And again, taking our cue from the private sector, we met with a number of corporate executives who have been pushing this idea. For example, New York State alone, so I am told, has over 120 different types of mentoring programs. So, what we have done is try to evaluate them, try to distill a sense of what the best practice was so we could then—I hope very shortly—this spring publish a little booklet on mentoring programs to get the word out about what has been successful.

I think it might be useful for us to look at this issue of counseling and share with you what we find in terms of not only what is going on in Iowa, but also elsewhere in the country and see if we can't distill good practice and information and get it out to the American people.

Senator HARKIN. I guess you could figure it out. What would it cost to have one counselor for every 200 kids in America? You have to be talking about a lot.

Mr. KOLB. Sally has the calculator. [Laughter.]

Senator HARKIN. That has to be a lot of money.

Mr. KOLB. We will look into that and give you an answer for the record.

[The information follows:]

THE COST OF ONE COUNSELOR PER 200 STUDENTS

The average salary for a school counselor is $34,244 per year. It would cost approximately $6.9 billion to support the salaries of the nearly 200,962 counselors needed to provide one counselor for every 200 students in the United States. This funding level does not include such indirect costs as benefits, overhead, administration, et cetera, which are estimated to be 50 to 70 percent of the direct labor cost, or an additional $3.4 billion to $4.8 billion.

COUNSELORS

Senator HARKIN. I would like to know, just calculate it out. I guess these counselors are fairly well paid. I think most of the ones in Des Moines, if I am not mistaken, had master's or close. I do not know. I may be mistaken there. It is more money that we have. [Laughter.]

HOME LEARNING ENVIRONMENT

But I have to believe there is something happening there.

Again, you would like to think that these kids come from homes that are caring and loving. I said at one time that sometimes I talk to people around here and they have the idea that all families are either like Ozzie and Harriet Nelson, for those of us of that age group, or like the Huxtables. You know, nice, nuclear, loving, caring parents with all of the economic means at their disposal, and that is just not the way it is out there anymore.

Mr. KOLB. But, you know, another problem is it is not just the families that are not like Ozzie and Harriet and the Huxtables. We have talked about the difficulties there, and we tried to address those concerns in programs like Even Start where we have requested a doubling of the budget from a little over $23 million to $48 million.

But I would like to share with you a fact that I ran across a few months ago which troubles me just as much. The information was in Newsweek, and they reported that 52 percent of business people—they didn't define what they were, but business people. So, I would presume they are not socioeconomically disadvantaged people. And 52 percent do not read to their children. So, again, you have a problem—a commitment just in terms of dealing with their children and providing them with the type of encouragement and expectations that they need.

We can address it in the programs that are authorized and that we fund, things like Even Start and our mathematics and science proposals, but again something has to happen with the child, either in the classroom and/or reinforced at home. And it does not appear to be happening in America.

APPROPRIATE AGE FOR DRUG PREVENTION EDUCATION

Senator HARKIN. Well, I have some questions on drug education and the appropriate age to introduce it. Do you feel that it should be done at the elementary level?

Mr. KOLB. High enough up to make a difference. I do not think kindergarten would be quite the place, but early education certainly. I would agree early elementary education, but carefully constructed. There is enough research out there that shows that unless you are very careful in the way you present these issues to impressionable people, teenagers, let alone early elementary grades, you run the risk of inducing an adventuresome outlook on the subject. But with those caveats, sure.

COORDINATION OF MATH AND SCIENCE PROGRAMS

Senator HARKIN. Who is coordinating all this effort on science and math? There are numerous programs. According to the Washington Post, there are as many as 13 Federal agencies other than your own spending a total of more than $9 billion, or about 40 percent of your own budget.

Secretary Watkins at DOE has announced that he is the lead administration player in science and math education. Yet, we provide your Department with a lot of money, $135 million a year for science and math education.

The National Science Foundation education program is growing faster than any other part of their budget.

What can you tell me about the level of coordination between all of these agencies on these education initiatives? And is there any duplication going on?

Mr. KOLB. Well, Mr. Chairman, what I think I can tell you is that we are trying to improve it. I think we need to do better. As you know, there is as much money spent on education in the Federal budget outside the Department of Education as there is spent inside the Department of Education. So, again, I think there is a real challenge for us to improve this type of coordination. And I know it is a high priority of both the Secretary and the White House to find ways—to pick a bureaucratic term, find better ways of service integration.

What we are trying to do now in terms of coordinating with NSF and Admiral Watkins is what is happening through the education working group that Secretary Cavazos chairs. That working group reports to the Domestic Policy Council which is the main arm that advises the President on domestic policy.

So, again, I think it is an area in part, given the way our budgets are structured and the way bureaucracies run, that we can definitely stand some improvement on. And service integration I think is particularly important in this area when you are talking about the impact on children.

You see it, for example, just in the need to coordinate between Education and HHS, for example. We have Even Start. They have Head Start. We have chapter 1. Well, that fits into a continuum. And so, the kids who are having problems in Head Start I am certain in many instances are the same children who are receiving remedial education in chapter 1.

And the real challenge I think for the Federal Government for this decade is to find ways to work across those bureaucratic lines. And I think we have a mechanism for doing it.

Senator HARKIN. Tell me what the mechanism is.

Mr. KOLB. Well, two ways. First, internally in the Department. And I think my colleagues in both sessions this afternoon can talk about that. We need to make sure the right hand and the left hand know what they are doing in the Department.

Second, across cabinet departments and bureaucracies in the Government. And I think that Domestic Policy Group that the Secretary chairs is the best mechanism that we have for doing that.

Senator HARKIN. I guess I just do not feel comfortable that there is one person in charge, either the Secretary of Education or someone is in charge of really coordinating all of these various efforts, overseeing it, making sure there is not duplication in all these various agencies.

Mr. KOLB. I think that is what we are trying to do. For example, if you look at what Admiral Watkins is doing—I was fortunate to participate in one of his activities out on the west coast earlier this year. He is really trying to involve his laboratories and the thousands and thousands of people who are under the jurisdiction of the Department of Energy in education related activity. And I think that is an excellent idea.

Senator HARKIN. He is getting them out of the labs into the schools?

MATH AND SCIENCE EDUCATION COORDINATION

Mr. KOLB. Yes; working with the labs to share their expertise with local schools, getting them involved in the school districts.

That is not working at cross purposes with what we are trying to do at all. In fact, I think it complements it quite a bit.

I am sure Chris Cross later this afternoon can talk with you at his efforts at greater coordination with the National Science Foundation. I do not think we need a math/science czar or a czar for each one of these little areas, but I do think that the challenge is better coordination. And I do think we are meeting the challenge now. The working group that Secretary Cavazos chairs has been running for several months now, and I am very optimistic that it will produce.

Mr. BONNER. I would add also, Mr. Chairman, that the Eisenhower Program probably goes unheralded much of the time because the money is disbursed from the State level. It goes down from the State level, and one does not often hear of the Eisenhower Program as the locus of funding for math/science improvement efforts. Nevertheless, that is a somewhat unsung coordinated effort of the Federal Government.

PROPOSED INCREASES FOR HEAD START AND CHAPTER 1

Senator HARKIN. If Head Start is a continuum of chapter 1, why are you asking for a 40-percent boost for Head Start and 4 percent for chapter 1?

Mr. **Kolb**. The chapter 1 basic program—the basic grants to LEA's has a greater increase than that 4 percent to the best of my knowledge.

Senator **Harkin**. Oh, this is the 8 percent/4 percent argument we had this morning.

Mr. **Kolb**. Right. We went through that this morning. The Head Start increase I think is close to 50 percent.

Senator **Harkin**. Anyway, there is a big difference there.

Senator Sanford wrote me a letter. He has a bill in to close the gap to fully fund chapter 1 and also Head Start. And I think you are going to see a lot of support for that.

Mr. **Kolb**. The Secretary has been a strong advocate of chapter 1, as you know, as he told you this morning.

Senator **Harkin**. This is what I wanted to get into with you and the Secretary this morning, Mr. Kolb. In December, two important reports were published regarding the future of the work force. And when you look at them, you get the feeling that things aren't going to make it because it tells us what we need after the year 2000, and then you look at what the school enrollments look like right now, and what the needs are for the schools. Beginning next year in 1991, our colleges and universities would have to graduate twice as many women, five times as many blacks and seven times as many Hispanics just in the science and engineering careers to fill the expected shortages 10 years from now.

So, we have these two reports, one saying here is what we are going to need, and one showing here is what we are graduating next year, and they are going to be in that work force 10 years from now. It doesn't mesh. So, we are not coming close to meeting these future needs.

What kind of steps do we take to avoid this train wreck? It is coming in 10 to 15 years, unless these reports are all hogwash.

Mr. **Bonner**. I would not say they are. I think, though, it is important to note that, without making this a rhetorical disclaimer, we have come to the point in national history where the President and the Governors, engines for reform, if you will, and leadership, have said that there must be a different order of things, that there must be a commitment beyond the norm.

Now, I think that approach reflects our national disposition to take the crisis seriously. I think we have the human resources, and with the programs, Federal, State, and local, that are in place, they could make the difference, provided everybody knuckles down.

Mr. **Kolb**. Mr. Chairman, if I could add another point. Some of these issues might be addressed on our second panel when the Assistant Secretary for Vocational Education and Adult Education will be present.

ENGLISH-AS-A-SECOND LANGUAGE

Senator **Harkin**. Ms. Esquivel, let's talk a little bit about bilingual education. I have been contacted in the recent past, within the last week or two, about proposals for a supplemental because money for the English-as-a-Second Language Program has run out of money and we need some additional funds to finish out this year. Can you tell me anything about that?

Ms. **Esquivel**. I am not familiar with any money running out for an English-as-a-Second Language Program. That's not anything that I have heard of.

Mr. **Kolb**. I think that is an HHS program, not one that we oversee. It is the State Legalization Impact Assistance Program, or SLIAG, I guess it is called.

Ms. **Esquivel**. For amnesty.

Mr. **Kolb**. Yes; which HHS oversees.

Senator **Harkin**. I see. That is again where I get—who has charge of this?

Ms. **Esquivel**. That is a program for individuals, normally that are not in school, that are trying to become legal resident aliens. One of the requirements is that they learn English and that they know about the history of our country. Our programs are for school-age children.

Senator **Harkin**. I have been told they are running out of money or something. I have to figure out how much they need. But it is a separate program.

Ms. **Esquivel**. Right.

PROPOSED INCREASE FOR BILINGUAL EDUCATION

Senator **Harkin**. This is the first time in a number of years that the administration has requested a significant increase for bilingual education. The increases for grants to school districts is almost 15 percent.

What does the basic increase really go for? Why do you need that increase?

Ms. **Esquivel**. The basic increase, Mr. Harkin, will go for part A, which provides direct services to children, and funds for staff development for their teachers. Of the $16.9 million increase, $12 million will be used for a special competition which is limited to school districts experiencing a major recent influx of non-English speaking youngsters. You do have particular areas of the country that are heavily impacted, and these funds will go to help them. It provides direct services to children.

BILINGUAL EDUCATION STUDENTS—MASTERING ENGLISH

Senator **Harkin**. Two other questions. It has been said that a large percentage of students served in bilingual education never really truly master the English language before they graduate. What can you tell us? You have some experience in that area.

Ms. **Esquivel**. I wonder who said it, first of all.

I don't believe that the statement is accurate. We have some very fine bilingual programs. And the primary purpose of bilingual education is to teach children English. That has always been the primary purpose. We want children to have access to the core curriculum. We want them to meet grade promotion and graduation requirements. So, good bilingual programs have good ESL components. Good programs will teach children English, which is what we want.

Senator **Harkin**. One teacher in Houston, TX, was recently quoted in the press as saying, "All we are producing are English speaking illiterates." Are bilingual education students learning the English language, but little more?

Ms. **Esquivel**. They are learning the English language, but little more?

Senator **Harkin**. That's right. He said we are producing English speaking illiterates.

Ms. **Esquivel**. We have bilingual programs that are funded by the Federal Government. There are some that are funded by State and local governments. That really is an argument for bilingual education, because if a youngster is learning English, and at the same time is learning content, there is—and again I will put a plug in for science and math—in their primary language, then they are not wasting time. And by the time they learn English, they will have learned the concepts in the primary language and they can just then transfer the knowledge. So, that is really a real good argument for us and what we are doing.

Mr. **Kolb**. Also, one additional point. I think there is a significant amount of our chapter 1 money that is directed toward children who are limited English proficient as well. So, that would help in the area you are concerned about.

Ms. **Esquivel**. I might just point out that your concern for science and math is our concern also, and we are in the process of developing priorities for the projects that would teach English through science and math.

FUNDING FOR EDUCATION FOR THE HANDICAPPED

Senator **Harkin**. Thank you very much.

Let me finish up by talking about the special education and rehabilitation budget request.

First of all, let me publicly commend President Bush for his commitment to the enactment of the Americans with Disabilities Act. I only wish that the funding levels for the programs for people with disabilities included in the budget also reflected that kind of commitment. I am very disappointed in the funding levels for these programs.

Mr. Kolb or Dr. Davila, your budget justification states that the Department places a high priority on improving programs for Americans with disabilities, but let's look at the numbers. If this is a high priority, I would hate to see what a low priority is.

No increases proposed for the discretionary programs under the Education of the Handicapped Act. The increase of the basic grant is 4.7 percent, basically a flat funding. The increase for the preschool program is only 2.5 percent. The increase for the early intervention program is slightly under 5 percent.

I am also told that for the past 3 years the States have been using part H early intervention funds to plan without providing services to handicapped infants and toddlers, and next year States will be expected to provide those services. I understand some States may pull out of this new program because of lack of support from Washington.

What can you tell me about these amounts? Is it a high priority when you say that the Education of the Handicapped Act has no increases? It is basically the same for the basic grant, 2.5 percent for preschool. Why? Why are those levels there?

GRANTS TO STATES AND PRESCHOOL GRANT REQUESTS

Dr. **Davila**. Sir, the amount we requested for part B of the Education of the Handicapped Act represents an increase of almost $73 million. That will help continue services to over 4 million children, and will also provide services to 44,000 additional children.

With respect to the preschool program, you have to recall that preschool children would receive support from two different sources: one, through part B which would amount to $365, and two, through preschool grants, which would amount to $726. Thus the States would receive $1,091 all together. For support for children in the 3 to 5 age group, it's nearly $1,100.

Senator **Harkin**. I'm sorry. How much is that?

Dr. **Davila**. The combined grants from both part B and section 619 would be $1,091.

Senator **Harkin**. It's a $1,000 grant.

Dr. **Davila**. Over $1,000, nearly $1,100.

Senator **Harkin**. Per student, per child.

Dr. **Davila**. For every preschool child, yes.

Senator **Harkin**. That is adequate?

Dr. **Davila**. We believe that represents a good amount, yes.

Senator **Harkin**. $1,000 for a year?

Dr. **Davila**. Yes, sir; that represents only the Federal share of the total support that goes for these children.

Senator **Harkin**. Was it adequate last year?

Dr. **Davila**. In 1989, States received a total of $840 for each preschool child served plus $3,800 for each bonus child, so our request this year would provide $251 more for each child served. I think this would be adequate.

Senator **Harkin**. But, Dr. Davila, if it wasn't adequate last year, you are asking for the same amount this year as last year in terms of inflation.

Mr. **Kolb**. Well, I think, Mr. Chairman, you could disagree with us over the amounts, but what we have tried to do here is both to maintain access and to increase the amount of the Federal share. And I think we have done that. So, there is a positive side to this. We can disagree over whether an inflation increase is a cut or not. And, of course, you know the administration's view with respect to that. But again, we have put together a budget which in this case has tried to maintain or increase actually the Federal share and the access. You can disagree. Keep in mind, though, that we are working off of a base that resulted from last year's appropriation.

FEDERAL SHARE OF EXCESS COSTS FOR GRANTS TO STATES

Senator **Harkin**. My staff has informed me that basically the total part B is at 7 percent, which is what it was before. So, even though there is a dollar increase, the amount of the Federal share remains basically the same. So, we really are not increasing any Federal support.

Dr. **Davila**. No; I was speaking here about the preschool program, sir. I was making a point here that preschool children receive support from two sources: through part B, which would amount to $365 per child, and through section 619, preschool grants, which would add an amount of $726 per child, for a total of well over $1,000.

Senator **Harkin**. I'm sorry. Go ahead please.

GRANTS FOR INFANTS AND FAMILIES REQUEST

Dr. **Davila**. With respect to part H, States have been using funds provided under that program primarily to develop their statewide systems, to get their coordinating councils in place, to develop interagency cooperation, to identify services required. And the information we have gives us confidence that every State will be applying for continuation of the programs in 1991.

Senator **Harkin**. Tell me about part H funds. Does that stay about the same?

Dr. **Davila**. No, sir.

Senator **Harkin**. How much is it?

Dr. **Davila**. Our request for part H represents a 4-percent increase.

Senator **Harkin**. But 4 percent means that in real dollars they have the same as what they had last year. And what I have been told is that many States have been using this money in the past to plan, to get ready to provide the services. But now they do not have any money to provide the services, and I have been told that some States may pull out of it because they don't have the support from Washington for the services.

Now, I am not telling you this of my own knowledge. I am only telling you what people are telling me.

Dr. **Davila**. We are providing technical assistance and working very closely with States to monitor development of these statewide systems. And we will be helping them with applications. We do not have any formal notification yet that any States are not going to continue the programs. We are hopeful that they will.

PRIMARY PURPOSE OF GRANTS FOR INFANTS AND FAMILIES

Ms. **Christensen**. Senator Harkin, I would just add this is not a service program. It has not been a service program. The money goes to help the States implement their systems to set up the service programs. As Dr. Davila says, we will be monitoring needs very closely with a view toward reauthorizing the program; what we should propose for reauthorization next year.

Senator **Harkin**. Are you talking about part H, Ms. Christensen?

Ms. **Christensen**. Yes.

Senator **Harkin**. So, those weren't really for services. Those were just to what?

Ms. **Christensen**. Just to help the States implement their programs, administration funds for the States to set up their offices and coordinate activities at the State and local levels. Part H was not intended to be a service program.

Senator **Harkin**. I see.

Ms. **Christensen**. The population is infant through 2 years old, and there is a lot we still need to find out about effective ways of meeting the needs of that population.

Senator **Harkin**. I'm told that the legislation does provide for services.

Ms. **Christensen**. It does provide. My point is that it has not been proposed primarily as a service program. Congress has gone along with that in the last couple of years that the program has been funded. Congress agreed that it would be an administrative program for the States.

FEDERAL COMMITMENT TO GRANTS FOR INFANTS AND FAMILIES

Senator **Harkin**. I am further advised that States, after the first couple of years, are now looking to Washington to see how deep our commitment is to this program and whether or not we want to keep it going since it did authorize services. And about a 4-percent increase does not seem to me to send a signal to the States that there is that much of a commitment for the early intervention program.

As you know, this is something that both of my predecessors, especially Senator Weicker, and I have worked on together for a long time; early intervention programs especially in the disability area. That is where it means the most, right there up to 3 years of age. That is where you get the most bang for the buck is in those early intervention programs.

And I am concerned about what we are doing here in terms of providing support to the States. And I don't mean to belabor it any longer, but I will work with you on it to see what we might do as we go along here. It doesn't seem to be what I thought it was going to be.

Did you have anything else, Dr. Davila?

Dr. **Davila**. No, sir.

OUTREACH PROGRAM FOR LOW-ACHIEVING DEAF ADULTS

Senator **Harkin**. Well, as I said, let's just work together on that as we go along and see what we can do about that.

I raised this morning with the panel—I do not know if you were still here, Mr. Kolb and Ms. Christensen. I do not know if you were still here or not, but I asked about the outreach program for low-achieving deaf adults. That comes under your Department there, Dr. Davila.

Dr. **Davila**. Yes.

Senator **Harkin**. The conference agreement provided $900,000 for a consortium to provide outreach for low-achieving deaf adults. I would like to know when you expect to solicit proposals, and when do you expect to make awards? The fiscal year is rapidly moving by.

Dr. **Davila**. We have been developing a notice of proposed priority, which is, in final clearance, regarding the competition, and we are preparing the application package.

Senator **Harkin**. When?

Dr. **Davila**. The notice should be published in the Federal Register by late March or early April. We will invite applications from all eligible parties, and we will be making the award or awards within this fiscal year.

Senator **Harkin**. We put the money in for this fiscal year. That was done last October, 4 months ago, and if you say the request went out a couple weeks ago, 4 months have gone by. No action was taken by you to solicit proposals. We put the money in there for this year, not for next year. And if you are saying that you are going to have some awards later this year, you are talking about doing it for next year.

Now, you have not requested any more money for next year for this? I don't think so, have you?

Dr. **Davila**. This is intended to be a one-time only award, as we understand it. We have not requested additional funding.

Senator **Harkin**. I'm sorry?

Dr. **Davila**. This is a one-time only award I believe, if I have my information correct.

Senator **Harkin**. For this year?

Dr. **Davila**. Yes.

Mr. **Kolb**. If it was forward-funded it could go beyond that period.

Senator **Harkin**. What did you say?

Mr. **Kolb**. It could then go beyond this fiscal year.

Senator **Harkin**. Oh, it could go beyond. Yes.

Well, I just thought we would move ahead on this a little bit more aggressively, and then it would not go on into next year and we would have gotten the requests out a little bit earlier than what we have gotten them out in the past. Again, we will look at that as we go down the pike.

HANDICAPPED DROPOUT RATES

Mr. Kolb or Dr. Davila, Public Law 94-142 has been in effect for 12 years. We have a 43-percent dropout rate. What does that mean in terms of the success that we should be seeing with Public Law 94-142?

Dr. **Davila**. Well, I share your concerns. We are very concerned about the dropout rate among young people in special education. The information we have available is that it is almost twice the rate of the general population. We have given quite a bit of attention to this problem through a variety of our programs.

In the secondary education program, for example, we currently have about 40 projects that are being funded that address some aspect of the dropout problem. They are more or less classified into three groups of projects. One of the groups addresses the question of developing innovative, creative curriculum designs that will engage a student and keep him in school. The second one is involved in developing multiagency collaboration and cooperation in the community with the school so that a student can get some real life experiences while he is still in school. And the third group of projects is related to research. We are trying to find out why young people in special education are dropping out. We just published a research priority on this subject. We can use that information to improve our retention.

Senator **Harkin**. Will you be submitting reports to us on some of these findings, on why they are dropping out?

Dr. **Davila**. Well, yes, when we have that information. Surely.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Harkin**. I would like to know the answer.

I thank you all very much. That is really all the questions. I have some more questions I will submit in writing to you.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

DEPARTMENT OF EDUCATION

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

U.S. RANK IN SPENDING ON EDUCATION

Question: Mr. Kolb, you are probably aware of a recent study by the Economic Policy Institute (EPI), that disputed the rhetoric, commonly used by this Administration, that the United States is one of the most generous industrialized nations in terms of spending on education. The EPI study revealed that the U.S. ranked 14th among industrial nations in terms of spending through the secondary level on education. What are your views on this study?

Answer: I have two major concerns with the EPI study. First, some fundamental methodological problems thoroughly undermine its findings. Second, the study contributes no useful information to the discussion of how to improve education in the United States. Some of the methodological problems are:

- EPI does not compare actual education spending among countries, but education spending as a percentage of national income. When education expenditures are correctly compared, using expenditures per pupil (corrected for different price levels using the Purchasing Power Parities (PPP) Index developed by the Organization for Economic Cooperation and Development (OECD)), the United States ranks second only to Switzerland in education spending.

- EPI's measure, percent of Gross Domestic Product (GDP), would show that a richer country exerts less "effort" than a country whose citizens are less well-off, even though both countries may provide identical educational resources to each student. This is because EPI's measure is a ratio, and the size of a ratio depends on the denominator as well as the numerator. The size of the numerator for the United States, representing total K-12 education expenditures, has grown considerably over the past decade, but because the denominator, representing all of the goods and services in our economy, has also grown substantially, the ratio remains virtually unchanged.

  To illustrate the flaw in this measure, countries like Martinique and Guadeloupe spend about 15 percent of GDP on education. This does not necessarily mean that students in those countries are better off than students in the United States or Japan. Similarly, impoverished nations such as Ethiopia and India devote about half of their national income on food, roughly five times the U.S. percentage. Yet, no one would conclude that the United States should increase its food expenditures to reach the percentages spent in less well-off countries. These nations exert greater effort because they must; there is less "left over" for spending in other areas than in wealthier countries.

- EPI includes expenditures on preschool education for other countries but not for the United States. In addition, the report groups large portions of other countries' "other" and "not distributed" expenditures as part of their elementary and secondary education spending, although some countries count adult education, manpower training, and administration under these headings. The United States reports no expenditures in these categories and hence comes out lower in the rankings.

- EPI implies that private spending on education should not count in measuring a country's "commitment" to education, an assumption which runs contrary to America's long tradition of local decision-making and control as well as our country's tradition of philanthropic giving by our citizens and businesses.

- EPI assumes that educational structures are identical from country to country. In fact, these structures may be very different. For example, the curriculum in the first two years of many U.S. colleges more closely approximates the last two years in European high schools.

Question: Do you think it indicates, as some people have suggested, that we are not spending enough on education in this country?

Answer: I don't think the study indicates that at all. The study tells us nothing about what the level of education funding in the United States should be, nor just as importantly, about what changes need to be made in American education to produce the results that we all want: better educated, higher-achieving students.

Furthermore, the facts show that very significant real increases in education spending did take place in this country over the past decade. In 1988-89, for example, we spent some $44 billion more on elementary and secondary education than we did in 1980-81 -- a 27 percent increase in spending on education even after adjusting for inflation. Average teacher salaries also increased during this period, and average class sizes declined. Yet student performance on achievement tests remained virtually the same.

It seems counterproductive to me to set some arbitrary dollar or percentage figure for spending and then judge our performance based on that arbitrary number. Our focus should be on the outcomes of education; our concern should be whether children are learning what they need to know to function and excel in today's world.

Question: I have read that the Department has criticized this study because it judges education expenditures as a percentage of GNP rather than on a per pupil basis. You can see on our chart that when you look at spending on a per pupil basis, as the Department chooses to do, the United States ranks 5th after Canada, not 14th.

This seems like selective economics to me. For the last eight years, the Administration has argued that we are NOT spending too much on defense because the Soviets are spending more than we are as a percent of GNP. Why is it, Mr. Kolb, that when comparing defense expenditures it is alright to compare us to other countries as a percentage of GNP, but when it comes to evaluating education expenditures, suddenly it is not a legitimate comparison?

Answer: Many analysts choose to measure defense spending as a percentage of national income, but these expenditures could also be compared on a per capita basis using a PPP adjustment. As with defense expenditure as a percent of GNP, a per capita measure is likely to show that the United States spends more on defense than many other countries; in this case, the two measures may show consistent results.

There is a fundamental difference, however, between defense expenditures and education expenditures, even though countries benefit from both. Defense is provided to the nation as a whole, but specific defense goods or services are not generally provided to individuals. For a given expenditure, it may well be possible to defend a city whether the city's population stays constant or grows or shrinks by 10 percent. My enjoyment of a secure defense does not preclude my neighbor's enjoyment of that same level of defense. In a sense, I am not "using up" defense resources.

Education services are different. Each additional child needs a desk and textbooks; each additional 25 children need a classroom and a teacher. We can only judge whether we are providing these educational resources to students by looking at expenditures per pupil. This is why we do not believe that spending as a percentage of GNP is a good measure of education funding.

Question: Part of your argument against evaluating education expenditures as a percentage of GNP rests on the fact as it makes poorer countries who spend a larger percentage of their GNP look more generous than richer countries. I don't have a problem with that.

Here in the United States, the richest country in the world, we are losing our competitive edge almost everywhere you look. When you look at the demographics of our future workforce, I think we should be spending a very significant portion of our gross national product on education, at least the same percentage as the 13 countries that outrank us. Do you disagree that one of the ways we are going to stay competitive is by spending a considerable percentage of our resources on education?

Answer: I agree that we must devote considerable resources to education and in fact, we do just that. Last year, we spent $353 billion on education in this country -- over one-third of the world's education expenditures, despite the fact that the U.S. holds only about 5 percent of the world's population.

I also agree strongly that education is a key to remaining competitive in the global economy. However, I do not agree that spending more money is always the answer to our educational problems. In fact, research consistently shows little or no relationship between increased funding and higher student achievement. In order to improve our competitive position, we must improve the quality of education in this country.

I would like at this time to correct some completely wrong allegations that have been made. This Administration has never said that it is opposed to spending any more money on education. On the contrary, the President's 1991 Budget proposes some significant increases in funding for programs which have demonstrated their effectiveness, such as Head Start, and for programs which show promise in reaching our education goals, like support to States for developing alternative ways of certifying well-qualified individuals to teach subjects like math and science. Our opposition is to the idea that more money will always give us better education. Experience has proven this idea wrong.

Question: I am not so sure that per capita expenditure rates are the best way to measure comparative efforts.

On the international basis, you have exchange rate fluctuations that can distort the comparisons. In making comparisons between the States, it does not correct for wage rate difference.

For example, Alaska has per pupil expenditure rates that are two times the national average, but their wage rates are two-thirds higher than the national average. On the other hand, Arkansas has per pupil expenditure rates 24 percent below the national average, but Arkansas wage rates are 26 percent below the national average.

On the Minnesota-Mississippi example that the Department has talked about, I understand that when you correct for difference in wage rates between these two states, and when you adjust for the different enrollment rates, Minnesota spends $2,884 per capita an Mississippi spends $2,350 per capita. In other words, Minnesota spends at a rate which is 23 percent greater. When you adjust for differences in school enrollment rates, Minnesota spends 4.2 percent of its State income on Education while Mississippi spends 3.5 percent. Again, Minnesota's effort is roughly 20 percent greater.

Are per capita expenditure rates the best way to compare spending?

Answer: In order to make accurate comparisons of per pupil expenditures across countries or States, it is indeed necessary to make adjustments for differences in cost of living.

When comparing countries, it is generally agreed that exchange rates cannot reliably be used to convert one country's expenditures into those of another country. A better means of conversion is the Purchasing Power Parities Index, developed by the OECD. The PPP takes a "market basket" approach similar to the Consumer Price Index, allowing us to compare expenditures across countries at the same point in time. Adjusting education expenditures via a PPP gives us a measure of what a specific country is giving up in goods and services which it could have bought, but chose instead to spend on education.

In making comparisons between States, a similar adjustment must be made to correct for differing wage levels. Here, the crucial decision is what adjustment mechanism to use. Teacher wages are not the same thing as wage or price levels in general.

For example, Minnesota pays its teachers approximately 45 percent more than does Mississippi. While it is true that the cost of living is higher in Minnesota, this is not the whole story. General wage levels in 1986 were only 26 percent higher in Minnesota than in Mississippi, according to BLS data. This suggests that part of Minnesota's higher compensation may be because of a quality differential or because of a higher value placed on teacher services in that state. If we use teacher salaries, as EPI does, then we are assuming that none of the differences in teacher salaries across states could be due to differences in teacher quality.

Viewed another way, if we adjust per pupil expenditures by a general wage index to more accurately reflect cost ol living differences between these two States, we find that Minnesota, at $3851 per child, outspends Mississippi's $2484 by 55 percent.

To summarize, we are convinced that there is no adequate substitute for per pupil expenditures in comparing State or international education spending.

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

STUDENT PER PUPIL EXPENDITURE DATA

Question: Mr. Bonner, the Inspector General recently reported that there are some serious flaws in the data that you use for the allocation of Chapter 1 funds. The Inspector General said, ". . . his review revealed deficiencies in every part of the data collection process." What steps have you taken to try to correct this situation?

Answer: In August 1989, the Department formed a working group to address the recommendations of the Office of the Inspector General (OIG) regarding ways to improve the quality of State per-pupil expenditure (SPPE) data and the way such data are collected by the National Center for Education Statistics (NCES). These data are reported annually to NCES by the States and form at least part of the basis for the computation of payments for a number of the Department's programs, including Chapter 1, Impact Aid, Indian Education, and Education of the Handicapped.

The working group has been meeting approximately every two weeks since November 1, 1989. OIG's recommendations have been adopted concerning: (1) redesign of the way SPPE data are reported through modification of NCES's National Public Education Financial Survey; (2) implementation of new procedures in the way NCES reviews and controls incoming data; (3) implementation of new procedures at the State level to control and review data submitted to NCES; and (4) review of SPPE data under the Single Audit Act.

Discussions are still underway on OIG's recommendations concerning: (1) legislation to define NCES's and States' responsibilities in collecting and reporting these data; (2) the use of fall enrollment counts rather than average daily attendance for computing average per-pupil expenditures; (3) the establishment of a standard definition of SPPE and a specific date for submission of those data and publication of regulations with these requirements; and (4) the development of regulations requiring adjustments in program allocations when SPPE data are found to be inaccurate. Work is expected to be completed on these remaining recommendations by the end of the year.

PRIVATE SCHOOL STUDENTS SERVED BY CHAPTER 1

Question: I see that despite the fact that you are proposing to boost Chapter 1 funding by 4 percent, you are asking us to freeze funding for the Capital Expenses program to serve private school children. Why have you concluded that there is not a need for a commensurate 8 percent increase for our mechanism to serve private school children?

Answer: We believe that our 1991 budget request for the Capital Expenses program makes a very conscientious effort to meet the needs of private school children served by Chapter 1, especially given the enormous obstacles the Felton decision and other recent lower court decisions have placed on providing Chapter 1 services to educationally disadvantaged parochial school students. The General Accounting Office, in its report on the impact of the Felton decision, indicated that local school districts would need $104 million to return to the pre-Felton level of services for private school children. The 1989 appropriation of $19.8 million and the 1990 appropriation of $26.7 million provided $46.5 million toward this need. Our 1991 request will add another $26.7 million to this total. We believe that our budget is addressing the need, as best we can, through funding increments over time. However, no amount of increase in funding would allow us to serve as many students as efficiently and effectively as we could before Felton.

Question: This special program was set up as a result of the Supreme Court's Felton decision which required that private school students be given Chapter 1 services in facilities off school grounds. Are we not serving as many private school children as we did prior to the Felton decision? Does that explain your proposal to freeze the program?

Answer: We are definitely not serving as many private school children as we did prior to the Felton decision. That court decision has certainly made it much more difficult to provide Chapter 1 services to educationally disadvantaged parochial school students. In school year 1984-85, 184,532 private school students received Chapter 1 services. In the 1987-88 school year, the last year for which we have data, only 135,699 private school students received services, an increase over the previous year but not nearly the number served in 1984-85. Data on the impact of the Capital Expenses Program for Private School Children are not in as yet. However, while we believe this program is helping us restore Chapter 1 services to some students, no amount of funding will allow us to provide services as efficiently and effectively as we could before Felton.

IMPACT AID

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PRESERVING "b" PAYMENTS FOR LOW-RENT HOUSING CHILDREN

Question: Mr. Bonner, for the first time in a great many years, the Administration is not proposing to completely eliminate Impact Aid "b" payments. Instead, you are proposing that we eliminate all payments except those made on behalf of children in low-rent housing. This would result in a cut of almost $100 million, a cut of 80 percent. Mr. Bonner, please explain why you have spared the low-rent housing payments but continue to ask us to terminate "b" payments for military children and Indian children?

Answer: The Department is requesting funds under Section 3(b) only on behalf of children who reside in certain federally subsidized, low-rent housing, under conditions that contribute to problems in school. These conditions include unstable family units, drugs, crime, poor self-image, low family income, low levels of parental education, and lack of emphasis on the value of education. Such problems increase the costs of providing educational services to these children. Additionally, the parents of children living in public housing generally have incomes near or below the poverty level and generate little revenue for local school districts.

Other "b" children, including military "b" children whose parents live in the community, do not represent a significant burden to their districts. Their parents contribute to State and local tax bases from which educational expenses are funded at almost the same rate as parents of non-Federal children. They pay property taxes, sales taxes, and frequently income tax. Economic benefits from military installations generally accrue to the community at a much higher rate than school expenditures increase because of the presence of military dependents.

Under P.L. 81-874, all children residing on Indian lands are considered "a" students. Therefore the proposed policy would not result in reductions for schools educating Indian children.

SCHOOL IMPROVEMENT PROGRAMS

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MATHEMATICS AND SCIENCE EDUCATION

Question: Mr. Kolb or Mr. Bonner, one of the President's Education goals is to make U.S. students first in math and science by the end of the decade. As you can see from this chart we have a very critical problem that must be addressed.

The chart shows where 10- and 14-year-old students in the U.S. compare to their peers in other countries. You can see that our 10-year-olds rank 8th, just below Italy and just above Australia. But our 14-year-olds rank 15th, tied with Singapore and Thailand. These numbers are frightening when you consider our future ability to compete in the international market place. While I am pleased to see that you have proposed a significant increase for the math and science education program, I wonder if a much more comprehensive approach isn't needed. Right now the math and science program provides about $5,400 per school district. With the increase you are proposing, each school district will be receiving slightly more than $9,000.

Do you think that giving each school district an average increase of $3,600 will have a significant impact on the problem we see on this chart?

Answer: We have requested a 70 percent increase for the Eisenhower Mathematics and Science Education program, which is designed to improve the skills of teachers and instruction in math and science. At this funding level, we believe that this program can make a significant impact on the problem of raising American students' achievement levels in math and science by improving instruction in these subject areas. Many school districts that receive relatively small awards conduct or participate in training programs, seminars, conferences, and other activities designed to meet their needs. Teachers receiving training often return to their schools and train other teachers, which improves the education of all students in the school. In addition, the Department encourages small districts to form consortia in order to combine small awards into amounts adequate to carry out meaningful teacher training activities.

MAKING SCIENCE AND MATHEMATICS A HIGHER PRIORITY

Question: A recent survey has revealed that, on the average, elementary school students in this country only spend about 15 minutes per day learning science. Other than the funding boost in the Eisenhower Mathematics and Science program, what is the Department doing to make science a higher priority in our Nation's schools?

Answer: We expect the national goal of making U.S. students number one in mathematics and science achievement by the year 2000 will make science a very high priority in the Nation's schools. One of the reasons that so little time has accorded to science is the lack of scientific knowledge and confidence among many elementary school teachers. The funding boost for the Eisenhower program will provide substantial funding for the improvement of the teaching of science at the elementary level. This is because both State and local needs assessments required by the statute indicate substantial needs at the elementary level, and States are concentrating their funds on providing training, primarily inservice, to elementary school teachers. The increase will permit greater effort in this area. Also, under the Eisenhower National Programs, we have specifically invited applications for projects to reduce the high rate of mathematics and science avoidance that develops during the elementary school years.

The 1991 request for the Upward Bound program would provide an expansion of the mathematics and science initiative begun in 1990. Under this initiative, regional "magnet" projects would provide mentoring, internship, and research experiences designed to develop the interest of Upward Bound students in mathematics, science, and engineering and to prepare them for higher education in these areas.

Selected students in regular Upward Bound projects will have the opportunity to enroll in special mathematics and science programs at these magnet centers. Plans for the initiative are being developed in conjunction with the National Science Foundation and in coordination with Eisenhower National Programs. The budget request would support about 50 centers in 1991.

Several of the the Department's national research centers address the improvement of teachers' knowledge in mathematics and science. Among these are the National Center for Research in Teacher Education, the National Center for Research in Mathematical Sciences Education, the Center for Improving Science Education, and the Center for the Learning and Teaching of Elementary Subjects. All of these are funded in 1990, and a competition has been announced for centers in 1991.

MATHEMATICS AND SCIENCE TEACHER SHORTAGE

Question: One of the very big problems we have in science education is a shortage of skilled teachers. Many people who are currently teaching science in our elementary and secondary schools were actually trained to teach in other subjects such as music or physical education. Trained scientists in this country can fare a lot better, in terms of salary, by working in the private sector. While you are proposing your program to support alternative certification to get science professionals into the classroom, this won't address the disparity in salaries between the private sector and the Nation's schools. Do you really think that enough scientists will be willing to go to work for $22,000 per year to solve our shortage in the number of trained science teachers?

Answer: We will need to pursue an array of strategies in order to provide an adequate number of well prepared mathematics and science teachers. Alternative Certification is certainly one strategy that makes it easier for scientists, engineers, retired military personnel and others with good academic credentials and technical and scientific backgrounds to enter teaching. Where alternative certification programs have been in effect for some time, some scientists and engineers have taken advantage of them to become teachers. Other efforts, such as encouraging business and industry to provide greater support for schools, have had encouraging effects. Scientists and engineers are volunteering time in schools. Federal agencies with large staffs of scientists and engineers are encouraging greater involvement in schools. The Department of Energy is opening its laboratory doors to teachers and students. Additionally, we are asking for a very substantial increase in the Eisenhower State Grants program, most of which will be used for training and retraining teachers of mathematics and science, including those who are teaching out-of-field.

WOMEN AND MINORITIES IN THE SCIENCES

Question: One thing we also know is that, given the make-up of the future workforce, we need to do a lot more to get women and minorities into the science field. There is already a dire shortage and the shortage will only get worse as the demographics of the workforce continue to change. What initiatives do you have in this budget to address the shortage of women and minorities in science and how many individuals do you anticipate these initiatives will address?

Answer: Although it is difficult to estimate the number of individuals who will be affected, the Department has a number of initiatives to improve the performance and increase the number of women and minorities in mathematics and science. These include:

Graduate Assistance in Areas of National Need provides fellowships to assist financially needy graduate students of superior ability studying in areas of national need, as designated by the Secretary in consultation with the National Science Foundation, the National Academy of Sciences, the National Endowments for the Arts and the Humanities, and other appropriate Federal and non-profit agencies and organizations. In 1990, the areas of national need are chemistry, engineering, mathematics, and physics. The Department has requested $25.5 million for this program in 1991, which is $9.7 million more than the 1990 appropriation. This increase is intended to help the Department meet the following goals: assisting students who are financially needy; expanding educational opportunity for minorities; and strengthening the position of the United States as a world leader by ensuring the highly skilled work force needed in an increasingly technological society. About 1,340 fellowships would be awarded at about 142 institutions.

Minority Participation in Graduate Education provides fellowship assistance for talented, minority undergraduate students who demonstrate financial need to help them prepare for graduate study. The Department has requested $6.1 million for this program for 1991, an increase of $2.5 million above the 1990 appropriation level. The increase would help address a Departmental priority of increasing minority enrollment rates in post-baccalaureate education. It would support about 1,740 undergraduates at some 60 institutions.

Patricia Robert Harris Graduate Fellowships are awarded to institutions of higher education to support fellowships for graduate and professional students from minority groups that have been traditionally underrepreseted in colleges and universities. Grants are awarded to institutions with graduate and professional degree programs on a competitive basis. Institutions are responsible for identifying areas of high national priority and for defending their selections. In 1989, the top four areas were life sciences, law, physical sciences, and engineering. The Department has requested $17.8 million for this program in 1991, an increase of almost $1.8 million above the 1990 appropriation level. The increased funding would help direct financial assistance to underrepresented groups, and would support the Department's goal of improving educational achievement in areas of national need. Some 1,145 fellows would be supported at about 198 institutions.

Minority Science Improvement program awards discretionary grants to enhance the capacity of minority institutions to develop and maintain quality science education programs and to increase the flow of individuals from underrepresented minority groups into the fields of science, mathematics, and engineering. Grant funds are used to purchase needed equipment, to develop curricular materials, and to support advanced faculty training. The Department has requested $5.6 million for this program for 1991.

National Research Centers are based in universities and are resposible for conducting long-term research and development in areas of national concern, and for disseminating their findings and products nationally. The Department has requested $21.8 million in 1991 for 25 centers. At least 10 of the centers will be engaged in efforts to improve mathematics and science education. Improving the achievement of female and minority students is an important priority of all the centers. For example, the co-director of the current National Center for Research in Mathematical Sciences Education at the University of Wisconsin-Madison is Dr. Elizabeth Fennema, who is arguably the foremost expert in gender-related differences in mathematics education.

Regional Educational Laboratories determine the education research and development needs of a particular region of the country, and help meet those needs through applied research, development, dissemination, and technical assistance. The Department has requested $20 million for the laboratories in 1991. Most of them conduct workshops, issue publications, or provide technical assistance to improve instruction in mathematics and science, especially for minority and female students.

Eisenhower Mathematics and Science Education National Programs awards grants and cooperative agreements for projects of national significance in mathematics and science education. In 1990, the Department invited applications for projects designed train teachers to better serve underrepresented and underserved students. Applications for other kinds of projects, such as projects to decrease the high rate of mathematics and science avoidance that begins in the elementary school years, were also invited. Applications are being reviewed. The Department has requested $9.2 million for this program in 1991.

COORDINATION OF MATHEMATICS AND SCIENCE EFFORTS

Question: How are these initiatives coordinated with all of the other science activities going on in other areas of the Federal Government such as the National Science Foundation and the Department of Energy?

Answer: Coordination and collaboration with other agencies, particularly NSF, has been occurring for many years. The most obvious examples of current communication and mutual planning have occurred in relation to the Eisenhower Mathematics and Science Education program. Department staff in the Office of Elementary and Secondary Education administering the State grant program and staff administering the Eisenhower National Programs in the Office of Educational Research and Improvement have sought participation and advice from the National Science Foundation, the Department of Energy, NASA, and other Federal agencies. NSF, DOE and NASA are represented on the National Steering Committee that the Department established to help give direction to the Eisenhower Program.

Other forms of communication have also been developed. For example, at the Annual National Conference of the Eisenhower State Coordinators and National Program project directors, NSF staff set up an exhibit, provided information on NSF projects and programs, and were responsible for providing about a half-day of the conference program. Department of Education staff participate in NSF-sponsored conferences and review applications to NSF for education-related assistance.

Regular communication occurs between the Department of Education and other agencies regarding higher education programs as well. There is an informal task group focused on the Minority Science Improvement program involving NSF and several other agencies which meets to share information on support for science and technology. There are regular informal discussions between the the Fund for the Improvement of Postsecondary Education and NSF's Science and Engineering Education Directorate, particularly concerning teacher development projects addressing math and science.

The Department's research and statistics efforts also have a history of coordination with NSF. A substantial number of assesment and data collection efforts have been jointly planned and funded. Curriculum projects developed with funding from NSF have been validated and are being disseminated through the National Diffusion Network. Department and NSF staff assist each other in reviewing applications for funding.

Question: Most importantly, who is coordinating this effort? It would appear that Admiral Watkins at the Energy Department, you, Mr. Secretary, and the Director of NSF all seem to believe they have the lead in math and science education for the Administration. Are these efforts well coordinated?

Answer: Recognizing the need for coordination among all Federal agencies with mathematics and science education programs, the President's Science Advisor, as Chairman of the Federal Coordinating Council on Science, Engineering, and Technology (FCCSET), is establishing a new committee on education and human resources. This committee will include representatives from Education, NSF, and Energy as well as a number of other Departments. This is the first time that the Department has served on FCCSET. Most of these same agencies have been invited to participate in the Department's Mathematics and Science Task Force, which was formed to coordinate math and science policy in the Department. And for the first time, the Department has named a senior officer, the Assistant Secretary for Educational Research and Improvement, Christopher T. Cross, as liason with the NSF.

DRUG ABUSE EDUCATION

Question: Mr. Bonner, many experts in the field have very different opinions on what is the appropriate age to introduce drug abuse education to our youngsters. Many feel that you should start at the earliest grades, but others feel that we would be most successful if we focused on students in junior high school. What are your views as to the appropriate age to introduce drug education?

Answer: It is never too early to begin drug education. Parents can be drug-free role models even before children are old enough to attend school. The important thing is to make drug education age-appropriate for children's knowledge, values, and behavior at different stages of their development. For example, early childhood education (grades K-3) should emphasize a "wellness" approach that stresses the positive benefits of being healthy and acting safely. At this age, children should begin to develop a sense of responsibility toward themselves and toward others. By junior high school (grades 7-9), students can receive more advanced instruction in the characteristics and chemical nature of specific drugs and drug interactions; the physiological effects of drug use; the stages of chemical dependency and addiction; the costs to society of the drug problem; laws and school policies regarding drug use; and so forth.

STATE AND LOCAL FUNDING FOR DRUG EDUCATION

Question: Mr. Bonner, while there is no requirement that States or local school districts match their Federal drug education funds, I know that a number of States, including Iowa, are committing a significant portion of their own resources to drug education. What can you tell us about the level of State and local funding for drug education programs? Has it grown as fast as the increases in Federal funding?

Answer: This information is not readily available. The Department has never collected data on State and local funding for drug education.

SPREADING FEDERAL DOLLARS FOR DRUG EDUCATION

Question: Mr. Bonner, some people have criticized the Federal drug-free schools program because it provides funds to all school districts in the U.S. and therefore spreads the dollars very thinly. This is one of the reasons I advocated a 51 percent funding increase last year. Last year we were only providing, on average, about $14,000 per school district. This year, we should reach the level of $21,000 per district. Even so, do you feel we are spending our Federal drug education dollars too thinly?

Answer: No, I do not. Drug-Free Schools and Communities State grant funds are not expected to be the only resource school districts have available to support drug education. Ideally, Federal funds will supplement State and local efforts to expand and enhance programs. The formula allocation of these Federal funds allows all school districts to participate in this important program. It is also less costly to administer, at both the Federal and local level, than a grant competition of the magnitude that would be required to allocate nearly $500 million.

Question: Given that the drug-free schools program has now grown to more than $500 million, do you believe this is the most effective method of distributing this money?

Answer: Yes. We believe it is most effective to distribute the bulk of Drug-Free Schools and Communities funds by formula and to allow all school districts to participate in the program. A significant amount of Drug-Free Schools funds is also provided for school personnel training grants, demonstration grants, regional centers, Federal discretionary activities, and emergency grants -- almost all of which are awarded competitively and target certain populations or problems.

ALCOHOL ABUSE

Question: Mr. Bonner, one concern that I consistently bring to our discussion of drug abuse education is that we do not lose sight of the fact that in many communities alcohol is still the most prevalent drug among our young people. What do we know about whether the drug education programs financed by our Drug-Free Schools program are paying significant attention to the problem of alcohol?

Answer: We share your concerns. All recent data indicate that alcohol is still the "drug of choice" among our Nation's youth. The Department has contracted for a study of the implementation of the Drug-Free Schools and Communities State grant program. This study, due for completion later this year, will include specific information on the extent to which programs supported with these funds focus on alcohol as compared to other drugs. We expect the study to indicate that programs supported with these funds pay significant attention to the problem of alcohol.

Question: Last year, for the first time, this subcommittee specifically earmarked funds for innovative alcohol abuse education programs. What could you tell me about how that initiative is proceeding?

Answer: On September 15, 1989, the Department published a notice in the Federal Register inviting applications for fiscal year 1990 Drug-Free Schools and Communities Federal Activities grants. The notice specifically encouraged applications for projects designed to: (1) implement programs or workshops to educate parents and school personnel on preventing the use by students of "gateway drugs," i.e., tobacco and alcohol; and (2) implement programs or workshops to educate parents and school personnel on prevention and early intervention for children of alcoholics. Awards under this competition will be made later this spring. In addition, the Department has begun planning for the development of materials for innovative programs of alcohol abuse education, including programs that focus on the effect of the disease of alcoholism on children and families of alcoholics. These materials will be funded with monies appropriated for section 4607 of the Fund for Innovation in Education.

Question: At the junior high level, a survey reported in September that roughly 40 percent of junior high students were drinking beer and 25 percent were drinking liquor, while roughly 8 percent were using marijuana. Do you believe that educators are minimalizing the threat of alcohol because it is a "legal" drug?

Answer: No. Educators understand that alcohol is an illegal drug for the entire school-age population. They also acknowledge the statistics that show that alcohol is the drug most often used by our Nation's youth.

Question: Do all of the Department's materials on drug abuse education address the alcohol problem?

Answer: With the exception of certain specific materials produced by the Department on drugs like steroids and "crack" cocaine, all of the Department's materials on drug prevention and education treat alcohol as a problem drug. For example, the Department's popular drug prevention education handbook, Schools Without Drugs, was revised just last year to provide additional information about alcohol, its effects, and how to prevent young people from using it. The Department's new handbook for parents, entitled Growing Up Drug Free: A Parent's Guide to Prevention, also includes a special section on alcohol. Alcohol is treated as a serious drug in the Department's drug prevention videos, newsletters, curricular guide, and virtually all other related materials.

DRUG-FREE SCHOOLS PROGRAM: NON-PARTICIPATING DISTRICTS

Question: Mr. Bonner, as you know, between 10 and 20 percent of the Nation's school districts do not participate in the Federal drug education program. This is voluntary on their part. What can you tell me about those school districts that are not participating in the program?

Answer: Almost all of the school districts that do not participate in the Drug-Free Schools and Communities State grant program choose not to participate because they have very small student enrollments and hence would receive very small grants.

Question: What has been the record on this? Have more and more school districts been entering the program every year?

Answer: The Department has strongly encouraged the States to work with smaller school districts so that they form consortia with other school districts to share funds in the most cost-effective manner. As a result of these efforts, and perhaps as a result of increased appropriations for the Drug-Free Schools and Communities State grant program, more and more school districts have been entering the program in the last year or so.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

DIFFERENCES IN MATHEMATICS AND SCIENCE EDUCATION PROGRAMS

Question: How does the math and science program administered by the Department of Education differ from the program at the National Science Foundation?

Answer: The missions of the two agencies differ substantially. NSF is primarily concerned with the conduct of mathematical, scientific, and engineering research, with providing facilities for research, and with the supply of people qualified to conduct that research. NSF's 1991 request for education and human resources is about 20 percent ($463 million) of its total request. The investment in K-12 programs ($165 million) is about 36 percent of the request for education and human resources. Nearly all of NSF's awards for K-12 educational purposes are made as competitively selected discretionary grants. Funds support materials development, research, informal science education programs, teacher preparation and enhancement, and studies and program assessments.

The Department of Education is broadly concerned with improving education nationally, and especially with addressing the needs of disadvantaged students. Math and science education, across the Department, would receive about $292 million in 1991 (not including funding for Chapter 1 remedial instruction in mathematics). This represents about 1 percent of the Department's request for 1991. Nearly all of the 1991 request for mathematics and science education is for the Eisenhower Mathematics and Science Education State Grants program ($220.8 million), under which the bulk of the funds are distributed by formula. Funds are used primarily for inservice teacher training based on mandated needs assessments. Other Department programs include graduate fellowships, largely focused on increasing the numbers of women and minorities entering mathematics and science, research centers to increase knowledge about the teaching and learning of mathematics and science, and the Eisenhower Mathematics and Science Education National Programs, which makes discretionary awards to support projects of national significance.

Question: What kinds of coordination exist between the National Science Foundation and the Department of Education?

Answer: There are two major ways in which the Department and NSF have collaborated -- communication and mutual planning, and joint funding. The Under Secretary has established a Task Force on Mathematics and Science Education, chaired by the Assistant Secretary for the Educational Research and Improvement, which includes representatives of all operating units within the Department. The purpose of the Task Force is to improve internal coordination and policy development with regard to mathematics and science education within the Department. In the interest of better coordination, staff from other agencies have been invited to Task Force meetings. The Chair has been named the Department's official liason with NSF and has already met several times with NSF staff. The President's Science Advisor is forming a new committee on education and human resources under the Federal Coordinating Council on Science, Engineering and Technology (FCCSET), of which the Department will be a member.

In addition, Eisenhower program staff have sought advice from the National Science Foundation, the Department of Energy, NASA, and other Federal agencies. Department staff participate in NSF-sponsored conferences and review applications to NSF for education-related assistance. The Department intends to continue efforts to coordinate math and science education activities with the National Science Foundation and other Federal agencies.

In regard to joint funding, there has been a long-standing relationship between the Department and NSF. The two have jointly supported data collection efforts of the National Center for Education Statistics and the National Assessment of Educational Progress. There are currently 10 jointly funded projects of this type.

Perhaps the most recognized example of cooperation has been the joint funding of science and mathematics television series -- 3-2-1 Contact and Square One TV, which the Department has continued to support despite severe constraints on discretionary funds available to the Secretary. These highly praised educational programs have been viewed by millions of children.

There are also some less direct but nonetheless important ways in which the two agencies have cooperated. A number of curriculum projects developed with NSF support have been validated as effective in practice and are now being disseminated through the Department's National Diffusion Network.

Question: What, if any, other Federal agencies offer programs in the math and science area?

Answer: A number of agencies have math and science education programs. Although for most these efforts are relatively small, it is certainly the case that NIH, NASA, and Energy all make substantial commitments in this area. What distinguishes these agencies from ED and NSF is that their programs are outgrowths of their research mission and are closely tied to those efforts, e.g., graduate research fellowships provided by NIH, Federal Laboratory experiences for teachers and selected high school students through Energy, and student competitions related to space flight for NASA. On the other hand, ED and NSF have broad responsibilities to improve science and mathematics education at the elementary and secondary levels.

EDUCATIONAL DEFICIT IN MATHEMATICS AND SCIENCE

Question: Is the math and science deficit traceable to poorly trained teachers, or is it more a result of cultural biases against math and science?

Answer: Undoubtedly both of these factors contribute to the current math and science deficit. But perhaps the major factor has been that, until quite recently, math and science education was perceived to be working well enough. That is, the science and mathematics efforts of the schools were generating enough qualified students interested in becoming mathematicians, scientists, and engineers to meet the needs. There was a short period after the launching of Sputnik when this was perceived not to be the case, but in general both the numbers and capabilities of students were considered adequate. On the other hand, there was never the belief, at least in the science and math communities, that the level of math and science education for the non-scientist or the average student was adequate.

The task for math and science education is now quite different. No longer can we emphasize the selection and nurturing of the best students that take math and science classes. The demographics are quite clear -- traditional sources for math and science students are no longer going to generate adequate numbers of students to meet the Nation's needs, and the general level of scientific literacy of our citizens must be raised. This means that math and science education is going to have to reach out in a way it has never done before, motivating all students to appreciate and value science, and emphasizing the development of the capability for doing math and science.

DROPOUT PREVENTION

Question: While high school students' academic problems are often a contributing factor in their decision to drop out, there are other factors that influence their decision such as family characteristics, school policies, and the opportunities in the communities. To what extent can the dropout problem be solved just by changes in the schools?

Answer: It seems clear that the dropout rate cannot be reversed solely by changes in the schools. Problems associated with such factors as family characteristics, students' handicapping conditions, economic circumstances, and community conditions will always influence a child's experiences in school. But research indicates that there are changes that can be made in schools, including changes in school policies, that hold promise as strategies for encouraging children to remain in school. Furthermore, research indicates that comprehensive programs involving several strategies, such as basic skills instruction, counseling, employment preparation, parental involvement, and adult mentors, are most effective in preventing students from dropping out of school.

While researchers agree that different combinations of strategies are likely to be effective with the diverse group of at-risk students, there are a number of promising exemplary models for dropout prevention. For example:

- The Model School Adjustment Program in Florida provides middle school students with peer tutoring, counseling, and family counseling on effective parenting skills.

- The Peninsula Academies in California are three-year, school-within-a-school programs that integrate academic and vocational education and include school/business partnerships that provide employment opportunities.

- Project COFFEE in Massachusetts is an alternative school that includes an individualized academic component, a vocational education component, and work-related experience with local business and the community.

- Operation Rebound in Illinois serves dropouts 16 to 21 years of age by providing individualized academic remediation, counseling, tutoring, attendance incentives, work experience, and services for the criminal offender.

Significantly, all four of these programs involve the use of several strategies. However, models like these should be replicated in multiple settings and rigorously evaluated. This is what we are planning to do in our proposed $45 million dropout prevention demonstration program.

Question: Is there a need to put more emphasis on the social and economic factors that contribute to the dropout rate?

Answer: We do need to take social and economic factors into account in dealing with dropout problems. The statute authorizing the dropout prevention demonstration program anticipates this need in several important ways. First, the statute refers repeatedly to the need for coordinated activities between schools and other community agencies that provide social and economic services. Second, in the awarding of grants, the Secretary is required to allocate 5 percent of the funds to community-based organizations and not less than 25 percent nor more than 50 percent to educational partnerships. A partnership is defined in the statute as one that includes a local educational agency and "a business concern or business organization, or, if an appropriate business concern or business organization is not available, one of the following: any community-based organization, nonprofit private organization, institution of higher education, State educational agency, State or local public agency, private industry council (established under the Job Training Partnership Act), museum, library, or educational television or broadcasting station."

Question: For many dropouts, problems in school begin at an early age. Many project administrators of dropout prevention programs have emphasized that providing special help at the secondary school level is too late for at-risk youth. Should we be targeting more funds in the area of early intervention?

Answer: Early intervention is indeed a key and necessary ingredient in the struggle to reduce the Nation's dropout rate. That is why the President's goals for education in the year 2000 call not only for us to increase the high school graduation rate to 90 percent, but also to ensure that all children will start school ready to learn. In support of his goal on school readiness for young children, the President's 1991 budget requests: a half billion dollar increase for Head Start, to $1.9 billion; a major increase for Chapter 1, to almost $5 billion, that would serve an estimated 6 million children, about half a million of whom are preschool children; double the current amount for Even Start; an increase of $6.2 million for preschool grants for handicapped children, ages 3 to 5; and a 4 percent increase, to almost $83 million, for early intervention services to handicapped children from birth through 2 years of age.

In addition, the statute authorizing the dropout prevention demonstration program, for which we have requested $45 million in 1991, requires the Secretary, in approving applications, to give special consideration to programs that include provisions emphasizing early intervention services designed to identify at-risk students in elementary or the early secondary grades.

BILINGUAL AND IMMIGRANT EDUCATION

QUESTIONS SUBMITTED BY THE SUBCOMMITEE

Question: Ms. Esquivel, last year we agreed to restart the Bilingual Fellowships program. Under this program, the recipients of fellowships are required to work in the field of bilingual education for as many years as they received fellowships or they must repay the government for the fellowships they received. When the program operated in the past, there were major administrative problems. No one tracked whether students were fulfilling their obligations. While many students did not fulfill their obligations, the Government did not collect one penny over the history of the program. Can you assure me that there are now adequate safeguards in the program to ensure compliance by the new fellowship recipients?

Answer: Yes. During the last year we have instituted several new policies that will ensure a more effective fellowship program. First, regarding collections, the Department's Financial Management Service (FMS) now has a computerized system in place to track fellows who must repay the amount of their fellowship. Of 137 cases turned over to FMS for collection, 48 have already been closed, and 69 have been referred to private collection contractors. Furthermore, the Office of Bilingual Education and Minority Languages Affairs now has its own fellowship data base, which allows us to improve program monitoring.

DISTRICTS RECEIVING FEDERAL BILINGUAL EDUCATION FUNDS

Question: Ms. Esquivel, as you know from your own experience as a bilingual educator in California, the Federal bilingual education program provides grants to only a limited number of school districts with bilingual programs. What percentage of school districts with bilingual programs currently receive Federal funds?

Answer: The Department does not have good data on the percentage of school districts that have bilingual programs and receive funding under the Bilingual Education Act. The "Descriptive Phase Report" of the "National Longitudinal Evaluation of the Effectiveness of Services for Language Minority, Limited English Proficient Students," however, collected some relevant data for school year 1983-84. In reviewing data from 191 school districts, the contractor found that districts used a variety of sources for financing services for limited English proficient students. Sources were as follows: 36 percent used local funds, 62 percent used State funds, 27 percent used funds under the Bilingual Education Act, and 66 percent used other sources. Unfortunately, data were not received from all school districts in the study and therefore the sample is not necessarily representative of the Nation's schools.

Given the capacity-building requirements of Section 7021(f)(6) of the Bilingual Education Act, we expect that many school districts have developed their capacity to operate such programs with previous Federal bilingual grants, but are no longer grantees under the Bilingual Education Act.

IMPORTANCE OF FEDERAL FUNDING IN BILINGUAL EDUCATION

Question: How important is the Federal funding to local school districts in providing these services?

Answer: Federal bilingual assistance can be extremely important to school districts in planning for and implementing high-quality instructional programs for language minority, limited English proficient students. Once these programs are in place, however, districts can usually continue to operate the program without direct Federal assistance. The situation may change, however, if the district experiences an influx of students from a new language group or it becomes necessary to expand the existing program to cover a large number of schools or grades.

BILINGUAL EDUCATION TEACHER SHORTAGE

Question: As you know, we fund a number of training programs to boost the number of available teachers of bilingual education. Is the teacher shortage in this area still as severe as it has been in the past?

Answer: The Department will soon have current data on the nature of the shortage of bilingual teachers both nationally and regionally. Unfortunately, these data will not be available until later this year. The Office of Bilingual Education and Minority Languages Affairs recently hosted a forum on personnel needs for districts with changing demographics attended by superintendents from eight key school districts as well as by district directors of personnel and deans of schools of education. Most districts at the forum reported that they need additional bilingual teachers, sometimes a good many of them. In several cases, however, these districts are currently staffed up by tenured teachers and are not in a position to hire additional staff certified to teach bilingual education. A participant from Dade County, Florida, which has one of the Nation's largest and fastest-growing populations of limited English proficient students, reported that because of his district's excellent compensation package and aggressive recruitment policies, it is able to hire all the bilingual education candidates needed. This indicates that districts that pursue certain policies may be able to meet their staffing needs without increased Federal subsidization of training programs.

The Department is currently studying the results of the forum to design ways that the training programs funded under the Bilingual Education Act can better meet the varied training needs around the Nation. I am happy to say that we have already begun to implement some new policies to make these programs more effective. We expect to make additional changes in fiscal year 1991.

IMMIGRATION FROM LATIN AMERICA

Question: Has the influx of children from Latin America made the shortage more critical, or has the situation improved?

Answer: The influx of new students from Latin America has certainly increased the demand for additional trained bilingual teachers in certain parts of the country. As reported above, however, Dade County, Florida, one of the school districts most heavily affected by recent immigration from Latin America, reports no problem in hiring bilingual teachers.

BILINGUAL EDUCATION TEACHER SHORTAGE

Question: If the teacher shortage continues to be a problem, why have you requested such a big increase for the grants program and just a freeze for the training programs?

Answer: The Department believes that we can do a lot to improve the current mix of teacher training programs and make them more effective in meeting the needs of local school districts around the country. Furthermore, school districts that receive Part A grants frequently use these funds to provide in-service training to improve the skills of teachers. Successful 1989 applicants for Part A grants expected to use 10 percent of their grants for teacher training.

Question: Are you confident that the training programs can help address the teacher shortage problem?

Answer: I believe that the teacher training programs funded under the Bilingual Education Act have made a significant contribution to increasing the pool of skilled bilingual teachers. This has been done both through in-service as well as pre-service training. However, I am confident that we can make these programs even more effective.

BILINGUAL TEACHER REPORT

Question: Ms. Esquivel, you probably noticed a report last month that pointed out that school districts in rural areas are facing a very critical shortage of bilingual education teachers, perhaps more critical than the cities. While the rural districts are seeing an increasing number of students in need of bilingual education, they are not able to recruit bilingual teachers to their communities. Is your office doing anything to specifically address the problems of the rural districts?

Answer: We have been unsuccessful in identifying the report to which you refer. However, I would like to assure you that many of the recipients of instructional grants under the Bilingual Education Act are LEAs in rural areas. In fiscal year 1989, 25 percent of Part A LEA funds went to rural LEAs. While we have no data on urban/rural placement of participants in our Part C training programs, we expect that significant numbers of these individuals secure employment in rural school districts.

SPECIAL EDUCATION AND REHABILITATION SERVICES

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

TRAVEL FUNDS

Question: How much of an increase is in this budget for travel -- which was a problem reported by GAO in OSERS conducting on-site visits, technical assistance, monitoring and training? How much did you request in your original budget submission?

Answer: In keeping with the Department's accountability initiative, we have requested increased travel funds for all programs in 1991. The Department requested an overall increase of 34.5 percent. The request for OSERS is $575,000, an increase of $262,000 or 83.7 percent above the 1990 level. We believe this increase will address the needs identified in the General Accounting Office report and Congressional concerns regarding OSERS' project evaluation and monitoring procedures. The increase would be used to increase program monitoring and technical assistance to State grantees and to maintain a three-year cycle for special education and vocational rehabilitation State reviews. These funds would also be used to cover mandated monitoring of State handicapped programs under Chapter 1 of the Elementary and Secondary Education Act and mandated on-site compliance reviews for the Projects with Industry and Centers for Independent Living programs. The President's request is the level requested by OSERS for travel.

TRAINING OF OSERS STAFF

Question: One particular criticism of the GAO report was the lack of expertise of staff. This was attributed, in part, to the lack of specialized training. What types of specialized training are now being made available to your staff that were not available in 1988 or 1989?

Answer: Since August, OSERS has been assessing specific in-service training needs of its staff on an ongoing basis. For fiscal year 1990, specialized training has been provided, or is being planned, for OSERS staff in the following areas:

- Self-determination for persons with disabilities (provided);
- Application of Rehabilitation Services Administration State Vocational Rehabilitation Program monitoring instruments (provided);
- Ethics in Government (provided);
- Requirements for a drug-free workplace (provided);
- Application of anti-lobbying requirements to formula grantees (planned); and
- Preparation of regulatory documents (planned).

STRATEGIC PLANNING PROCESS

Question: The General Accounting Office November 1989 management study entitled "Department of Education: Management of the Office of Special Education and Rehabilitative Services," was very critical of the management of special education and rehabilitative programs. In your letter of September 5, 1989, in response to the GAO report, you outlined a number of steps being undertaken to address shortcomings, including development of a set of goals and objectives in consultation with the rehabilitation, special education, and research communities. Have comprehensive strategic plans with specific goals and measurable objectives for each OSERS component been developed so that progress can be subsequently measured to determine whether planned objectives are achieved?

Answer: A mission statement and broad goals have been set which provide a conceptual framework for the administration of OSERS programs. The essence of these goals is to ensure that our programs maximize the potential, participation, and productivity of persons with disabilities. Operational procedures are in place for each component, and OSERS is developing plans with measurable objectives. Specific goals and measurable objectives are in place for administering all discretionary grants and contracts, and monitoring State formula grants. OSERS has placed an emphasis on maintaining close working relationships with constituent groups, and each division is seeking input from these groups, when appropriate.

PROGRAM MONITORING

Question: A lack of monitoring of discretionary grants was one of the weaknesses cited by GAO in its 1989 report. What additional steps to supplement telephone monitoring have been initiated to strengthen OSERS program officials' oversight of over $300 million in discretionary grants?

Answer: OSERS is very concerned about this issue. Each component is taking initiatives to address and improve monitoring and oversight of Federal grantees.

- The Office of Special Education Programs (OSEP) has taken several steps to improve the monitoring of discretionary grants. The travel budget for on-site monitoring has increased from fiscal year 1989 to fiscal year 1990 and additional increases are proposed for 1991. OSEP has established the monitoring of institutions with multiple projects as a priority in order to increase coverage as quickly as possible. In addition to increasing the number of monitoring visits, OSEP staff are taking advantage of annual meetings and conventions to provide increased technical assistance to grantees.

- The Rehabilitation Services Administration (RSA) has instituted new, more comprehensive documentation requirements for telephone calls related to monitoring. RSA also is considering the institution of improved procedures for evaluating the content of continuation grant applications submitted by discretionary grantees.

- The National Institute on Disability and Rehabilitation Research is planning to develop a computerized grant monitoring system with common data elements. This should assist in tracking and monitoring activities of grantees.

TECHNICAL ASSISTANCE ACTIVITIES

Question: Have technical assistance visits to States by OSERS and/or the Rehabilitation Services Administration been increased? If not, is the continued lack of travel funds still the primary impediment?

Answer: Due to the sequester, salary and expenses items in the Department of Education are tight in 1990, including travel. Despite this constraint, additional steps are being taken to increase technical assistance. For example, in conjunction with RSA regional staff visits to State Rehabilitation agencies to conduct Basic State Grant program monitoring, regional staff are providing technical assistance in selected areas related to discretionary grants awarded to these States. RSA is also presently tracking technical assistance provided to discretionary grantees. Technical assistance will be a major priority in the proposed RSA long-range plan. In OSEP, technical assistance and monitoring visits to States have increased in fiscal year 1990 compared with the previous year, particularly to assist States in implementing Parts B and H of the Education of the Handicapped Act.

LOW ACHIEVING DEAF

Question: The conference agreement on the fiscal year 1990 bill provided $900,000 for a consortia to provide outreach for low-achieving deaf adults. When does the Department expect to solicit proposals? When does the Department expect to make grant awards?

Answer: It is the policy of the Department of Education not to solicit applications before the publication of the notice of final priorities. A notice of proposed funding priority was published on March 20, 1990. This notice outlines the scope of the projects and the requirements for potential applicants. Comments must be received on the proposed priority by April 19, 1990. The Department plans to publish the application notice for this competition simultaneously with the notice of final priorities. The exact award date will depend on a number of factors, such as the number of comments received on the proposed priority notice, whether changes are necessary to the priority, the number of applications received, and the amount of time it takes to negotiate the awards, which are scheduled to be cooperative agreements. These funds will be awarded by the end of this fiscal year.

Question: Has the Department had discussions with the institutions named in the conference report? (Institutions named: California State University at Northridge, Gallaudet, National Technical Institute for the Deaf, Postsecondary Education Consortium at the University of Tennessee, Seattle Central Community College, Southwest Center for the Hearing Impaired, and St. Paul Technical Institute)

Answer: The Committee noted that these institutions have expertise in this area. However, the award or awards under this program are being made through an open competition. It would be inappropriate for the Department to engage in dialogue with the named institutions on matters specific to this topic prior to the review of applications. The Department published a notice of proposed priority in March that outlines the scope of the proposed projects and requirements for applicants. The purpose of this notice is to solicit comments from the field on the specifics of the proposed program. Each of the named institutions is welcome to comment on this notice and ultimately compete for an award.

EDUCATION FOR THE HANDICAPPED

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

STATE GRANTS

Question: The fiscal year 1991 budget calls for a 4.7 percent increase in the State Grants Program to serve an additional 44,000 children. Although the Education of the Handicapped Act authorizes a Federal share per pupil of up to 40 percent of the national average per pupil expenditure, actual appropriations have never exceeded 2 percent of APPE. The fiscal year 1991 request represents only 7 percent of the national average per pupil expenditure. Given current budgets, to what extent does the Federal Government's failure to provide the full entitlement authorized by PL 94-142 jeopardize the quality of services and the extent to which programs meet the multiple needs of children with handicaps -- especially when we are looking at a 43 percent dropout rate?

Answer: Our requested increase for the Grants to States program would maintain the Federal share at about 8 percent of the average per pupil expenditure (APPE) and 7 percent of the excess cost of educating handicapped children.

We do not believe that the failure to provide a Federal share of 40 percent of the APPE, as authorized by the Education of the Handicapped Act (EHA), jeopardizes the quality of services and the extent to which programs meet the multiple needs of handicapped children. Under the EHA, States are required to provide all handicapped children with the special education and related services they need. Our review of State plans and our compliance monitoring visits to the States indicate that, in general, States are doing a good job in providing services.

Although we would expect States to use modest or gradual increases in Federal funds to expand or improve service, we do not think that a substantial increase in Federal funding would necessarily result in substantially better services. Should the Federal share approach the authorized 40 percent of APPE, we think it is inevitable that this significantly increased Federal contribution would displace a substantial portion of the funds being provided by States and localities. We believe that improving the quality of services depends primarily on how well resources are used. To improve the quality of services and meet fully the multiple needs of handicapped children, we must continue to work with the States to develop better educational interventions.

CHAPTER 1 FUNDING FOR THE HANDICAPPED

Question: Could State Operated Chapter 1 program grants be allocated to the States in the same manner as the Education of the

Handicapped Act Program's $1.5 billion in State grants? That is, on the basis of each State's proportionate share of the Nation's total handicapped children population?

Answer: Legislation would be needed to allocate Chapter 1 Handicapped program funds in the same manner as the Education of the Handicapped Act (EHA) program. Under the Chapter 1 Handicapped authorizing legislation, the Federal share a State receives for each child served is based on an amount equal to 40 percent of the average per pupil expenditure (APPE) in the State, except where a State's APPE is less than 80 percent or more than 120 percent of the APPE in the United States. One way of achieving this result administratively is to count and fund all handicapped children under the EHA, with no funds appropriated under Chapter 1 Handicapped. However, this approach could result in significant funding shifts for those States that count a large proportion of children under Chapter 1 Handicapped, because the average Federal share for each child served is currently much larger under Chapter 1 Handicapped than under the EHA.

FUNDING FOR CHAPTER 1 PRESCHOOLERS WHO TRANSFERRED TO PUBLIC SCHOOLS

Question: According to GAO, 45 States now count handicapped children -- with conditions not considered severe by experts and State officials -- in preschool programs under the State operated Chapter I program. According to GAO's draft report, these children often are transferred to regular public schools and receive higher funding levels than they would under the EHA program.

What budget savings could be achieved if State Operated Chapter 1 program preschool children who transfer to public schools received the same per student allocation as EHA program participants?

Answer: Budget savings would not be immediately achieved if Chapter 1 Handicapped program preschool children who transfer to public schools received the same per student allocation as EHA participants. Under the EHA, preschoolers receive allocations under two programs - Preschool Grants and Grants to States. In 1990, for example, the Department estimates that children, including preschool children, served under the Chapter 1 Handicapped program will receive a national average Federal share of $549 for each child served. Preschoolers served under the EHA are expected to receive a total Federal share of $1,014 for each child served, $662 under Preschool Grants and $352 under Grants to States. Significant budget savings would be achieved under the EHA after these children turn six years old, because of the large difference in the Federal share States receive under the Chapter 1 Handicapped program and the EHA. In 1990, for example, States are expected to receive about 36 percent more for children served under the Chapter 1 Handicapped program than for children, other than preschoolers, served under the EHA.

CHAPTER 1 HANDICAPPED FUNDING PATTERNS

Question: Four States currently account for 47 percent of the total State Operated Chapter 1 program participants and receive over 50 percent of available program funds. In the Department's view, does the fact that four States collectively receive over half of total program funds comply with the intent of Congress?

Answer: The four States that collectively accounted for 47 percent of the Chapter 1 Handicapped participants in 1988 and received over 50 percent of program funds allocated that year continued to have the highest counts and receive the largest proportion of funds in 1989. These four States accounted for 44 percent of the total program participants in 1989 and received 47 percent of available funds.

The Department cannot speak to the intent of Congress. However, the Department does not believe that four States should receive almost half of the total Chapter 1 Handicapped program funds. The proportion of funds these States received in 1989 resulted from the combination of two factors: (1) The large number of handicapped children the States elected to serve under the Chapter 1 Handicapped program rather than under the Education of the Handicapped Act (EHA); and (2) The way in which funds are allocated under the Chapter 1 Handicapped funding formula. Under the EHA, funds are allocated proportionally, based on a State's child count. Under Chapter 1 Handicapped, funds are allocated based on a State's average per pupil expenditure (APPE). Within statutory limits, therefore, the Federal share per child under the Chapter 1 Handicapped program varies from State to State. Since these four States had high APPEs, they received higher Federal per child shares under Chapter 1 Handicapped than many other States. The 1989 Federal share per child for the four States ranged from a low of $547 to a high of $637, with three of the States receiving more than $600 for each child served. It is worth noting that under the EHA State Grant program the Federal share per child was only $340 in 1989.

We believe that, as these four States illustrate, the existence of two programs for handicapped children and the variations in the Federal share per child permitted under the Chapter 1 Handicapped program create significant inequities in funding among States. In order to resolve inequities in funding, and as the General Accounting Office has recommended, we believe that the Chapter 1 Handicapped program should be merged with the EHA.

DATA ON CHILDREN SERVED UNDER GRANTS FOR INFANTS AND FAMILIES

Question: Under the Grants for Infants and Families program, data on the number of infants served through this program has not been available.Do you have any preliminary data or estimates on the number of children served under this program?

Answer: For fiscal year 1989, 38 States, or 66 percent of the 58 entities eligible for awards under the Grants for Infants and Families program, voluntarily reported that they were serving 55,591 children under State programs other than the Chapter 1 Handicapped program. These data, however, must be viewed very cautiously. Nineteen, or 50 percent, of the 38 States providing the data indicated that they could not assure that the data were completely accurate. Factors that could contribute to errors in these data include: double counting of a child by more than one agency (leading to an inflated count), and the inability of some agencies or regions to provide counts on the number of children served (leading to an inaccurately low count). In addition, States and Territories reported that they were serving 34,429 infants and toddlers under the Chapter 1 program.

Based on the data provided by the 38 States for children served under both the Grants for Infants and Families and the Chapter 1 Handicapped programs, in 1989 the 38 States served about 1.14 percent of their general birth through two-year-old populations. If it is assumed that the same percentage also received services in States that did not provide data under the Grants for Infants and Families program, we can estimate that about 127,000 infants and toddlers received services in 1989. However, as discussed above, this estimate is based on incomplete data that must be viewed with great caution.

DRUG-EXPOSED INFANTS

Question: Are you projecting increases in the number of infants needing services as a result of being born to a drug-addicted mother?

Answer: Estimates of the prevalence of children prenatally exposed to drugs vary substantially. Probably the best national estimate comes from a 1988 survey conducted by Dr. Ira Chasnoff of Northwestern University Medical School. Based on a survey of 36 hospitals across the country, Dr. Chasnoff estimated that 11 percent of infants born each year, or about 375,000 infants, are born to women who are drug abusers. We think it likely that many of these infants may need early intervention services.

However, we cannot project at this time the extent to which the number of children served under the Grants for Infants and Families program would be increased as a result of the number of infants born to drug-addicted mothers. Factors that would affect the number served include a State's definition of "developmental delay," whether a State has elected to serve children at risk of developmental delay, and the eligibility criteria for at-risk children. States are required to have completed their definition of "developmental delay" and to have decided whether and which at-risk children they will serve by the fourth year of their participation in the Grants for Infants and Families program; that is, in 1990. We would expect to have more information about the potential impact of drug-exposed children on the numbers served under the program after 1990.

SUCCESS IN MEETING GOALS UNDER THE EDUCATION OF THE HANDICAPPED ACT

Question: Public Law 94-142 has been in effect for 12 years -- the normal length of time for the completion of an elementary and secondary education. How would you assess PL 94-142's success in meeting its goals of providing a free appropriate public education for all handicapped children?

Answer: We think that the Education of the Handicapped Act (EHA) has been very successful in meeting its goal of providing a free appropriate public education for all handicapped children, aged

3 thorough 21 years. Our assessment is based on the fact that every State is participating in the program and that the total number of children served has increased by 25 percent since the program's first year. Furthermore, from the information we have obtained through review of State plans and monitoring visits, we have found that, in general, States are doing a good job of serving handicapped children. For these reasons, we believe that the EHA has made and continues to make a major contribution to ensuring that handicapped children have access to and receive the special eduction and related services they need.

HANDICAPPED DROPOUT RATES

Question: Doesn't it seem to you that with a 43 percent dropout rate, that we are not seeing the successes that we should be seeing after 12 years?

Answer: We would agree that the dropout rate for handicapped students is much too high. The data we have suggests that the percentage of handicapped dropouts probably ranges between 27 and 36 percent. For example, States reported that in the 1987-88 school year about 27 percent of handicapped students dropped out of school. Cohort data from the Office of Special Education's National Longitudinal Transition Study indicate, however, that this percentage may be low. Based on a sample of 3,045 special education exiters, the study reported a dropout rate of 36 percent for school years 1985-86 and 1986-87.

We do not think that the success of the Education of the Handicapped Act (EHA) can be evaluated based on the percentage of handicapped students who are now dropping out of school. We have no information about the percentage that dropped out before the EHA was enacted; therefore, we do not know whether fewer students are dropping out now than in the past. In addition, for most of the past decade, in order to ensure that a free appropriate public education was available to all handicapped students, efforts were primarily focused on problems of access. During the past decade, most of the problems of access have been resolved. As a result, we can now focus more of our efforts on issues related to the quality of education that handicapped students receive. We believe that through these efforts we can improve the educational achievement of handicapped students and reduce significantly the number of handicapped students who drop out of school.

Question: There is concern that 43 percent of all handicapped children receiving services under PL 94-142 in schools year 1985-1986 and 1986-1987 drop out of high school. Research and demonstrations have been conducted on this problem. What strategies have been identified to deal with this problem, and what action is the Department taking to implement those strategies?

Answer: We would agree that the dropout rate for handicapped students is much too high. The data we have suggests that the percentage of handicapped dropouts probably ranges between 27 and 36 percent. For example, States reported that in the 1987-88 school year about 27 percent of handicapped students dropped out of school. Cohort data from the Office of Special Education's National Longitudinal Transition Study indicate, however, that this percentage may be low. Based on a sample of 3,045 special education exiters, the study reported a dropout rate of 36 percent for school years 1985-86 and 1986-87.

The Department will be funding three 5-year projects in 1990 to examine the effectiveness of interventions designed to reduce the number of dropouts. These projects will focus on junior high students classified as seriously emotionally disturbed and learning disabled. The projects will be developing, implementing, and testing comprehensive interventions to increase the student's likelihood of staying in school. The Department currently has several ongoing research projects which are identifying the home, school, and community factors related to dropping out. These studies will provide information for designing interventions to reduce the number of secondary students with disabilities who dropout of school.

REHABILITATION SERVICES

Question: Does the Department have any statistics on the number of students that have gone through the system under PL 94-142 and have received or are seeking services under the Rehabilitation Act?

Answer: The Department has a contract with SRI International to collect follow-up data on special education students after they leave secondary school. The study has data on over 8,000 students representing all disability groups. At the time of the first data collection, only about one-third of the sample had exited from secondary school. The data do include information about the services young people with disabilities receive after school from rehabilitation agencies. A preliminary report on this issue should be available in about six months. Additional data on the use of adult services will be collected in the fall of 1990 when more of the study sample are out of school.

EARLY INTERVENTION

Question: In response to questions during confirmation, you indicated that early intervention was one area that would receive a high priority. How does this budget reflect this priority?

(Note: Preschool Grants and Grants for Infants and Families only receive a cost-of-living increase.)

Answer: I believe that our request for increases for both the Preschool Grants and Grants for Infants and Families programs indicates the Department's commitment to programs that address the needs of handicapped children from birth through five years of age.

Because funds are no longer needed in 1991 for adjustments to bonus payments, our request for the Preschool Grants program would provide an increase of almost 10 percent, or $64, over the estimated 1990 Federal shares for each preschool child served. Furthermore, our request for the Preschool Grants program includes funds for 4,000 additional children over the number we expect States to be serving in 1990. Since States receive funds for serving handicapped preschool children under both the Preschool Grants and the Grants to

States programs, our request would provide an estimated total of $1,091 for each preschool child served in 1991 ($726 from Preschool Grant and $365 from Grants to States), or about 21 percent of the estimated excess cost of educating handicapped children.

Although States may use funds allocated under the Grants for Infants and Families program to expand or improve services, the primary purpose of this program, as presently authorized, is to help States develop and implement their statewide systems of early intervention services. Our request would provide an increase to help States meet increases in the costs of implementing their statewide programs in 1991. Since States are not yet required to provide services, we do not know at this time whether the coordination of funding and services through the statewide systems will be sufficient to meet the needs of all handicapped infants and toddlers and their families, whether there are additional needs, or what these needs are. We will consider these issues as we develop our legislative proposals in 1992, when the program is to be reauthorized.

REQUEST FOR GRANTS FOR INFANTS AND FAMILIES

Question: First, let me say that President Bush deserves praise for his commitment to the enactment of the Americans with Disabilities Act. I only wish I could also praise him today on his efforts for people with disabilities in the Education budget. To be direct, the funding levels for programs for people with disabilities included in the Department's budget are a disgrace. Now, Dr. Davila, I know you are a strong advocate and fighter for the special education and rehabilitation programs under your jurisdiction, so I will address my remarks to Mr. Kolb.

Your budget justification states that the Department places a "high priority" on improving programs for Americans with disabilities. The numbers included in the proposed budget, however, contradict that statement.

No increase is proposed for the discretionary programs under the Education of the Handicapped Act; the increase for the basic grant is only 4.7 percent; the increase for the preschool program is only 2.5 percent; and the increase for the early intervention program is less than 5 percent.

I assume that you are aware that for the past three years the States have been using Part H (early intervention) funds to plan without providing services to handicapped infants and toddlers and next year States will be expected to provide services. I understand that some States may pull out of this new program because of lack of support from Washington.

Don't you agree that it is important to send a clear signal to States that Washington is committed to this program so that the States will not withdraw from this initiative?

Answer: We know that some States are experiencing problems in completing the requirements for their statewide systems of early intervention services. These problems include the passage of necessary legislation, the definition of the population to be served, the development of procedural safeguards, and the identification of resources. To our knowledge, however, only three States are considering dropping out of the program because of inadequate funding under Part H. We believe the vast majority of States are committed to continue to participate in the program.

The Department is firmly committed to the Grants for Infants and Families program. We believe that early intervention services can vastly improve the development of infants and toddlers who are experiencing developmental delays and, as a result, can significantly reduce their need for special education services when they begin school.

Funds appropriated under Part H were intended to help States develop and implement their coordinated interagency statewide systems of early intervention programs, not to provide services. As part of this system, the State's lead agency for the program must identify and coordinate all available resources within the State from Federal, State, local, and private sources and must enter into formal interagency agreements that define the responsibility of each agency for paying for early intervention services. Because States are not required to provide services until the fifth year of their participation (that is, in 1991), we do not know at this time whether the resources to be provided by the various programs within a State will be sufficient to meet the needs of all handicapped infants and toddlers and their families, or what additional funds, if any, may be needed. Part H is to be reauthorized in 1992. We will consider issues related to the support for early intervention services as we develop our legislative proposal for reauthorization.

SERVICES FOR INFANTS AND PRESCHOOL CHILDREN WITH DISABILITIES

Question: Congress is requiring the States to serve all handicapped children aged 3 through 5 by 1991, yet, this budget only requests a cost-of-living increase for Preschool Grants and does not reflect increases for the mandated services which go into effect in 1991. What progress has been made to establish statewide systems of service for infants and preschool children with disabilities?

Answer: All States are participating or have stated that they would be participating in 1989, the third year of the five-year phase-in period for the Grants for Infants and Families program. Therefore, all States have or expect to have completed the statewide system requirements for the third year. To meet the 1990 fourth-year requirements for funding, States are now working to complete development of the 14 components of their statewide systems of early intervention services, but there is wide variation among the States as to how many and which components have been developed. We expect most States to have established their statewide systems during 1990 and expect that, as a result, most will begin serving handicapped infants and toddlers in 1991, the final year of the phase-in period. However, we are aware that three States are considering not participating in the program in 1990 and that two additional States are considering not participating in 1991.

We expect all States to be serving all handicapped preschool children in the 1991-92 school year. To date, 40 States either have a mandate in effect for serving these children or have a mandate that will go into effect beginning in the 1991-92 school year. The remaining 17 States expect to complete the process for obtaining State approval for a mandate and to have their mandates in place by the 1991-92 school year.

TRANSITION TO DIRECT SERVICES FOR INFANTS, TODDLERS, AND PRESCHOOLERS

Question: What assistance is the Department providing to States in making the transition to direct services?

Answer: The Department is providing significant support to help States develop and implement their statewide systems of early intervention services for handicapped infants and toddlers and to help them serve all handicapped preschoolers by 1991. For example, the Department is supporting a multi-year National Early Childhood Technical Assistance System, which coordinates annual meetings for State personnel involved in implementing the Grants for Infants and Families program, holds national meetings on issues related to the development of the statewide system of early intervention services and issues related to serving preschool children, and provides additional technical assistance to States through individual and regional meetings.

The Department is also supporting five institutes that will help States provide services to handicapped infants, toddlers, and preschoolers. These are: (1) an institute that focuses on developing materials to help personnel deliver early intervention services; (2) an institute that focuses on the long-term effectiveness of early intervention; (3) an institute that focuses on intervention strategies related to the transitions of infants, toddlers, and preschoolers, including the transition from early intervention services under the Grants for Infants and Families program to special education and related services under the Preschool Grants program, and the transition from preschool programs to integrated services and classrooms; (4) an institute that develops, field-tests, and disseminates intervention strategies that improve the integration of handicapped children into a range of preschool, child-care, pre-kindergarten, and kindergarten programs that are available to nonhandicapped children; and (5) an institute that focuses on interventions for infants and toddlers to develop new or improved organization structures relating to the identification, referral, and intervention process. Furthermore, the Department is supporting a number of research, demonstration, and outreach projects that focus on improving services for children from birth through five years of age.

In addition, through the Federal Interagency Coordinating Council, the Department is working with other Federal agencies to develop policy, coordinate efforts in areas such as personnel training and technical assistance, develop technical assistance documents and sponsor conferences and meetings to promote interagency cooperation at the Federal, State, and local levels on issues related to the needs of handicapped infants, toddlers, and preschoolers.

REGIONAL RESOURCE CENTERS

Question: Regional Resource Centers provide consultation, technical assistance, and training to State educational agencies and through those agencies to local education agencies providing special education and early intervention services to children with handicaps. The fiscal year 1991 budget assumes $6,520,000 for regional resource centers, the same amount provided in fiscal year 1989 to fund six regional centers and the national coordinating center.

In view of the fact that technical assistance and training were items that the GAO specifically cited as lacking, how do you propose to increase those activities without a corresponding increase in funding?

Answer: The fiscal year 1991 request for Special Purpose Funds does not include funding levels for specific activities such as Regional Resource Centers because these activities are not yet authorized for fiscal year 1991. As soon as reauthorizing legislation is enacted, a budget request will be submitted by individual activity. However, it should be noted that in addition to the Regional Resource Centers, the Department carries out technical assistance and training activities through a variety of other means. Furthermore, with the increased funds provided in fiscal year 1990 in 11 of the 12 discretionary programs, the Department has been able to increase technical assistance efforts, and will be able to maintain these levels with the fiscal year 1991 request. Some examples of technical assistance efforts are as follows:

- The Early Childhood Technical Assistance project (NEC*TAS) supported under the Early Childhood Education activity works with the Regional Resource Centers and independently to assist States in improving early intervention and early childhood education services for infants, toddlers, and children age 8 and under.
- Projects such as the Secondary and Transition Institute, the Early Childhood Research Institute, and the Center on Special Education Technology provide assistance and information to State and local agencies relating to their particular areas of emphasis.
- The Office of Special Education and Rehabilitative Services (OSERS) has been successful in utilizing annual project directors' conferences and national conferences, such as the Annual Convention of the Council for Exceptional Children, to meet with Grantees including State and local agencies in order to consult and provide technical assistance.
- OSERS meets with the State Directors of Special Education twice a year to review major program and monitoring issues, and to provide information on its activities and initiatives.

SECONDARY AND TRANSITIONAL SERVICES

Question: The Secondary and Transitional Service program has focused primarily on demonstrations to improve services to youth upon leaving school. What have we learned from the demonstrations, and do you have any statistics on how those strategies have affected those leaving school?

Answer: Since 1983, when the program was first authorized, the Secondary and Transitional Services program has supported over 200 projects. These projects have included cooperative model development, social skills research, follow-up/follow-along studies, employment and training models, and other types of activities.

Among the projects that have been effective in promoting employment for disabled individuals are those that provide instruction in supported work settings before a child leaves school and those that have shown how coworker support and job crews can be used to maintain more severely disabled individuals in employment.

MEDIA AND CAPTIONING SERVICES

Question: In fiscal year 1990, Congress provided $15,200,000 for media and captioning services. Included in that funding was $1,000,000 for descriptive video services. What is the current status on dispersing those monies?

Answer: The conferees agreed that the Secretary may use up to $1,000,000 to support the development of descriptive video services for the blind if a study, requested in the House appropriations bill report, determined that the technology is commercially viable and there is no significant opposition from the Federal Communication Commission. Should these conditions not be met, the conferees indicated that these funds should be redirected toward other media and captioning activities unless a separate authorization for descriptive video is enacted into law.

The Department is developing the requested report. However, the report will not be completed until late spring of 1990. Given the time needed to complete this report, the absence of current legislation authorizing descriptive video services, and the need to carefully consider various approaches to providing this service, it will not be possible to begin descriptive video services in 1990.

SUPPORT FOR DECODER CHIP AND OTHER TECHNOLOGY

Question: One million dollars in funding was also provided for development of the decoder chip and other technologies. What is the current status of these funds?

Answer: There are two separate groups currently focusing on the development of closed-captioned decoder chips for installation in television sets. Both the National Captioning Institute, Inc. and EEG Enterprises, Inc. foresee completing the development of their respective decoder chips by 1992. They anticipate that the production cost to television manufacturers will be about $5 and will add no more than $15 to the overall cost of each television set.

Funds are being used for projects associated with new technologies such as: 1) the assessment of advanced technologies with potential for affecting access of individuals with sensory impairments to media and communications; 2) analysis of issues and trends in technologies with the intent to develop alternate media to fit specific impairment categories; and 3) projects under the Small Business Innovative Research program that relate to improving captioning technology.

CLOSED-CAPTIONING SUPPORT

Question: Will the level of funding for closed-captioning of TV programs be maintained in fiscal year 1991?

Answer: The level of funding for closed-captioning television will be maintained, but the number of closed-captioned television programs will be increased due to more non-Federal support. To an increasing extent, the captioning of prime time programming is being funded through private support and an increasing number of local television stations are independently providing real-time closed-captioned local and regional news programming. CBS is captioning a majority of its sports broadcasts without Federal support. NBC is increasing its contribution toward captioning costs as well.

Question: Does the Department anticipate new awards for closed captioning in fiscal year 1991?

Answer: In fiscal year 1991, the Department anticipates it will fund 7 new local and regional news awards and 13 continuations. The contract for closed-captioned sports will also be open to competition in 1991. Five other closed-captioning grants and contacts will be funded as continuations.

Question: What proportion of commercial network television programming is currently captioned?

Answer: During the week (Monday through Friday) approximately 40 percent of the programming of the three major commercial networks closed captioned. All prime-time, all evening news, and morning news programming on two networks is captioned. The major gaps are in daytime programming and late night programming.

The proportion of week-end programming that is captioned is more difficult to determine because the amount of network programming varies with the sports season. However all primetime television (8:00 p.m. to 11:00 p.m., Saturday; 7:00 p.m. to 11:00 p.m., Sunday), all Saturday morning children's programming, and major sports programming are captioned.

CLOSED-CAPTIONING OF CABLE TELEVISION

Question: What proportion of cable television or of local programming is captioned?

Answer: The proportion of local and cable television programming that is captioned is nearly impossible to determine as it differs significantly by station and cable network. For the most part, cable and local programming is not captioned if it is new programming. However, much of cable and local programming is either movies or syndicated programs that have been previously captioned (often through one of the Federal contracts or grants). These programs often are shown with captions by local stations and cable networks. The amount of programming varies considerably from day to day and week to week.

In addition, approximately 51 local stations broadcast at least some of their local news programs with real-time captions.

SPECIAL EDUCATION TECHNOLOGY

Question: The Congress provided $5,400,000 in fiscal year 1990 for Special Education Technology. What is being done to respond to new needs in substantive areas, such as preschool curricular research?

Answer: Under the Special Education Technology program, numerous activities have been funded to respond to a range of needs of children with disabilities. These include awards for: technology to improve assessment; emerging issues and trends; compensatory technology applications; implications for special education from state-of-the-art technology advances in other fields (e.g., business and military); research on the integration of technology into sound instructional programs; innovative cooperative models to expand technology benefits; research on administration and management using technology applications of multi-media technology; demonstrations of effective uses of technology under optimal conditions for students with disabilities; and a national information center on special education technology.

Funds under the Special Education Technology program are also used to support new technology projects conducted under the Small Business Innovative Research program. The majority of the projects in this solicitation cover such applications as automatic speech recognition, adaptive computer soft-ware, hypercard/videodisc systems, communication systems, optical scanning and audio captioning, and technology-assisted learning systems.

BARRIERS TO SELF-SUFFICIENCY

Question: For the last several years, the Department has placed priority on two areas in improving services under the Education of the Handicapped Act, the "general education initiative" that seeks to expand and improve special education and general education services in the regular classroom for children with mild handicaps, and the stimulation and improvement of transition services for handicapped students leaving secondary schools. Barriers to preparing individuals to live and work in the community include limited training options and a lack of interagency cooperation. What action is the Department taking to address these barriers -- especially the lack of interagency cooperation.

Answer: The Department has conducted numerous activities to address barriers to individuals living and working it the community, particularly through the Secondary and Transitional Services program. Since the inception of the program in 1983, all priorities have required that applicants collaborate with employers, State vocational rehabilitation agencies, and providers of adult services.

Specific areas in which projects have been funded include models on job-related training for mainstreamed youth with learning disabilities, projects to provide a variety of training options to youth with disabilities, and cooperative models to plan and implement a multi-agency transition process to assist youth to live and work in the community. This last priority combines model development with capacity building to assist school districts to improve their delivery systems.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Question: In spite of the fact that we continue to provide funding for Special Education Personnel Development, personnel shortages in special education continue to grow. The demand for special education personnel will only increase with the implementation of infant and preschool handicapped programs. Should we require a period of service from those receiving training with Federal dollars?

Answer: The Department supports the requirement that individuals receiving assistance under the Special Education Personnel Development program must either enter the field for which they received training or repay the scholarship funds they received. This type of requirement, which is included in the training program under the Rehabilitation Act and in some student financial aid programs, would help ensure that handicapped children actually benefit from the Federal funds used for special education scholarships.

REHABILITATION SERVICES AND HANDICAPPED RESEARCH

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

OSERS/STATE WORKING RELATIONSHIP

Question: The General Accounting Office report found that 80 percent of the Nation's State vocational rehabilitation directors believed that the working relationship with OSERS had deteriorated or ceased to exist. What strides have been made by OSERS to repair a working relationship between OSERS and State officials?

Answer: The working relationship between OSERS and State Vocational Rehabilitation (VR) agencies has significantly benefited from recent efforts to improve communication. OSERS Assistant Secretary Davila and RSA Commissioner Carney have both addressed the annual conference of the Council of State Vocational Rehabilitation Administrators (CSAVR) and a meeting of the Board of Directors of CSAVR. With professional backgrounds in rehabilitation-related areas, Assistant Secretary Davila and Commissioner Carney and are well suited for facilitating OSERS partnership with the State VR agencies. In particular, Commissioner Carney's past administrative experience in State agencies for the blind and visually impaired provides her with insight into the issues faced by State agencies.

Additionally, OSERS and RSA are engaging in specific activities designed to improve technical assistance and communication with State agencies. A system has been implemented to monitor the types and frequency of technical assistance requests received by RSA's Central and Regional Offices and RSA's subsequent response to these requests. RSA will be soliciting State agency input in the process of reviewing and revising the Rehabilitation Service Manual. In addition, constituency meetings have been scheduled by Commissioner Carney in all 10 Federal regions to receive input from State agencies, consumers, and organizations related to the programs and projects administered by RSA. It is the goal of the Commissioner to continue to reach out to and meaningfully involve rehabilitation and independent living professionals and consumers in order to strengthen relationships between RSA and its constituent groups.

RELATIONSHIP OF THE ADA TO THE BASIC STATE GRANTS PROGRAM

Question: Under the Rehabilitation Act of 1973, the increase for the Basic State grant is only 4.5 percent; the increases for Independent Living and Supported Employment programs are only 4.2 percent; and many other programs are level funded. At the same time, the President and the Attorney General have stated publicly that the ADA will result in lowering the $57 billion price we pay to keep people with disabilities on the welfare rolls and get them into the workforce. How can we realize that expectation if we do not provide increased support for the Basic State grant programs under the Rehabilitation Act, which is the primary Federal initiative that trains people with disabilities to enter the world of work?

Answer: As we understand it, the purpose of the American Disabilities Act (ADA) is to provide a clear and comprehensive national mandate to end discrimination against individuals with disabilities, provide enforceable standards addressing discrimination against individuals with disabilities, and ensure that the Federal government plays a central role in enforcing these standards on behalf of individuals with disabilities. Title I of the ADA specifies that an employer, employment agency, labor organization, or joint labor-management committee may not discriminate against any qualified individual with a disability in regard to any term, condition or privilege of employment.

We do not anticipate that there will be an increase in the number of individuals applying for VR services if the ADA is passed. According to testimony presented to the Committee on Labor and Human Resources by the Disabilities Rights and Education Defense Fund, the major categories of job discrimination faced by people with disabilities include: use of standards and criteria that have the effect of denying opportunities; failure to provide reasonable accommodations; refusal to hire based on presumptions, stereotypes, and myths; placement into dead-end jobs; under-employment and lack of promotion opportunities; and use of application forms and other pre-employment inquiries that ask about the existence of a disability rather than the about the ability of the person to perform the essential functions of the job. The elimination of discrimination in these areas should serve to facilitate the efforts of the VR program in obtaining employment opportunities for its clients. In addition, it should also facilitate the efforts of individuals with disabilities who are not eligible for the VR program in obtaining appropriate employment.

VOCATIONAL REHABILITATION PROGRAM

Question: An increase of 4.5 percent has been requested for Vocational Rehabilitation Basic State grants. Should sufficient funding not be available to provide services to all of those that apply, States must be given priority to serving the needs of the most severely handicapped. How does this impact on providing services to other individuals, such as older workers who have suffered injury and/or permanent disability and are seeking rehabilitation in order to return to employment?

Answer: The Rehabilitation Act requires that an "order of selection" rule be implemented when States are unable to serve all eligible individuals due to limited financial resources. Under the order of selection provision, individuals with the most severe handicaps are given priority for services. In fiscal year 1989 only 19 of 83 agencies implemented an order of selection policy.

The severity of the handicap, not the age of the worker, would be considered in establishing the priority for services in a State which has implemented the order of selection rule. A person who is considered to be severely handicapped has a serious limitation in one or more functional capacities and/or needs multiple services over an extended period of time. Approximately 65 percent of the individuals served in the VR program are considered to be severely handicapped. When an individual is not considered to be severely handicapped by his injury or disability, but otherwise is eligible for the VR program, the provision of services could be withheld or delayed. In many States, individuals who are covered under State Worker Compensation programs receive services from private rehabilitation agencies.

Question: How many clients are being denied rehabilitation service because of a funding shortfall?

Answer: The most recent information indicates that only 19 agencies (23 percent) are currently operating under the order of selection rule, including 16 general and 3 blind agencies. In addition, several agencies operating under the order of selection rule have indicated that they are continuing to serve non-severely handicapped individuals, though perhaps on a limited basis, by providing non-purchased services and by utilizing comparable benefits to cover the costs of purchased services.

RSA recently added a category under "reason for closure" in the Case Service Report System to determine how frequently the application of the order of selection criteria are involved in the non-provision of services to applicants who would otherwise be eligible to receive services. In fiscal year 1988, this reason was cited 347 times out of a total population of approximately 250,000 persons not accepted for services.

INTERACTION WITH OTHER TRAINING PROGRAMS

Question: How have rehabilitation programs interacted with other training programs available -- such as those under the Job Training Partnership Act -- to ensure that all avenues of assistance have been utilized.

Answer: At the State level, a number of State vocational rehabilitation (VR) agencies are represented on State Job Training Councils where they participate with other Council members in statewide planning activities. These activities involve the setting of job training goals for specified target groups, including priority for individuals with severe handicaps, and the establishment of systems for agency referrals and employer contacts.

At the local level or district level, State VR agency staff and rehabilitation facility staff have developed cooperative agreements with Private Industry Councils, Service Delivery Councils, and local offices of the State employment agency. These cooperative agreements facilitate coordination and allow agencies to share in the cost of vocational training, on-the-job training, supported employment placement programs, job modification services, and job seeking skills training.

SERVICES FOR SEVERELY HANDICAPPED PERSONS

Question: The 1986 amendments to the Rehabilitation Act required States to undertake needs assessments of persons with severe handicaps. How effective have State vocational rehabilitation agencies been in identifying persons with severe handicaps and assessing their needs?

Answer: Based on the data we have received, State vocational rehabilitation agencies have been reasonably effective in identifying and assessing the needs of severely handicapped individuals. The needs of these individuals are identified through vehicles such as statewide meetings of agencies serving this population, statewide forums and public hearings, and through involvement with business and industry advisory councils.

State VR agencies recognize the importance of cooperation among service providers in facilitating the continuity of services and insuring the long term success of severely handicapped individuals. State VR agencies are initiating more cooperative agreements with State and local public and private agencies such as the Governor's Committee on Employment of the Handicapped, Employment Advisory Councils, and State Developmental Disability Agencies. In addition, RSA plans to undertake a study of "best practice" in conducting a needs assessment. The results of this study will be shared nationwide.

Target populations identified as being in the most need of improved or expanded services include individuals with traumatic brain injury, learning disabilities, chronic mental illness, and severe mobility impairments. Native Americans and persons with severe disabilities who are transitioning from special education programs have also been identified. Services identified as needing improvement and expansion include accessible public transportation, attendant care, home employment, housing, technology development, and service delivery in rural areas. States are required by statute to include in the State plan their response to the results of the needs assessment.

Question: How effective is the order of selection used to put priority on services to persons with the most severe handicaps?

Answer: Based on an analysis of RSA 1988 Annual Report data on the percentage of persons with severe handicaps served by State agencies, the effectiveness of the order of selection provision is difficult to determine. In fiscal year 1988, 16 of the 57 general agencies had an order of selection policy in effect. Eleven of these 16 general agencies ranked in the top half of all general agencies in terms of the reported percentage of individuals with severe disabilities served. Six of the eleven agencies were ranked in the top 25 percent. However, the remaining five general agencies with an order of selection policy ranked in the bottom 25 percent. The percentages of severely handicapped individuals served by general agencies which ranked in the top 25 percent ranged from 70 to 95 percent. The percentage of these individuals served by agencies in the bottom 25 percent ranged from 37 to 53 percent.

The number and the percentage of persons with severe handicaps in State agency caseloads has noticeably risen since the implementation of the Rehabilitation Act of 1973. The percentage of all persons receiving rehabilitation services who are identified as being severely handicapped has increased from approximately one-third when the Act was passed to approximately two-thirds in fiscal year 1989.

RSA is in the process of developing a Program Policy Directive to further assist State VR agencies in shaping and refining their policies to give first priority to those individuals with the most severe handicaps.

Question: Are persons with the most severe handicaps being effectively trained and placed in appropriate jobs?

Answer: The rehabilitation rate for persons who are severely disabled was 62 percent in 1988. In recent years, there has been an increase in the percentage of persons rehabilitated with severe disabilities who have had an employment outcome providing financial remuneration. In 1985, the percentage of severely disabled persons who were placed into the competitive labor market was 73 percent, while 14 percent were placed as homemakers. In 1988, the percentage of competitive placements increased to 77 percent and the number of homemaker outcomes decreased to 11 percent. In addition, the percentage of individuals in sheltered workshops who were placed competitively or in self-employment as a result of case reviews conducted by State VR agencies increased to 5.8 percent in 1988, after hitting a low of 3.4 percent in 1984. In fiscal year 1988, 57 percent of the severely disabled received training services and 38 percent received job placement services.

Question: What quality assurance mechanisms does the Administration have in place to monitor the quality of the grants to Indian tribes for vocational rehabilitation services?

Answer: The Rehabilitation Service Administration (RSA) utilizes several mechanisms to monitor the quality of grants to Indian tribes under the American Indian Vocational Rehabilitation Program. RSA regional staff are responsible for monitoring grants funded in their respective regions. They conduct on-site visits, meet with grantee project directors and staff, and receive frequent verbal progress reports via telephone. Regional staff and/or project staff from two Indian Research and Training Center programs supported by the National Institute on Disability and Rehabilitation Research conduct training meetings for Indian project staff. In addition, Central and Regional office staff review progress reports and continuation applications submitted by the Indian tribe projects as a part of the process for second and third year continuation funding of these three-year projects.

MAINTENANCE OF EFFORT

Question: The 1986 amendments require States to maintain a level of expenditure in the Federal-State vocational rehabilitation program equal to the average of the previous three years. Is this provision effective in maintaining State support?

Answer: The Maintenance of Effort (MOE) provision under the Vocational Rehabilitation State Grants program has been reasonably effective in maintaining State financial support. Total non-Federal funds increased by 7 percent from 1987 to 1988. The overall percent of State match was approximately 23 percent in 1987 and 1988.

Only two States have applied for waivers from the MOE requirement. One State was granted a waiver for fiscal year 1987 and the other State's waiver for 1988 is pending. Data received in October of 1989 showed that approximately seven States in 1987 and eight States in 1988 (seven of the eight were the same States for 1987 and 1988) were unable to meet their MOE requirement. However, States have recently submitted revised RSA-269 expenditure forms that show changes in the levels of non-Federal expenditures as compared to the figures submitted earlier. Generally, these changes show a reduction in the level of spending in the years prior to implementation of the MOE requirement and increases in expenditures for the years after implementation of the MOE requirement. Based on these revised RSA-269 forms, most States appeared to have met their reduced 1987 and 1988 MOE requirements. Only one State did not meet its 1987 MOE requirement and three States did not meet their 1988 MOE requirement. Tabulations of final data on States' non-Federal expenditures for 1989 have not been completed. There continues to be uncertainty as to what non-Federal expenditures are required to be reported and inconsistency in what is included as an expenditure under the State Plan from State to State. RSA is currently working to develop guidance in this area.

Although the MOE requirement insures that States maintain their previous level of non-Federal funding, it may work as a disincentive for States to provide additional non-Federal funds in excess of the required level. Some States that previously had a high level of over-match have been decreasing their percent of match while still meeting their matching and MOE requirements. The Department will be addressing these concerns in developing its proposal for reauthorization of the Rehabilitation Act.

COORDINATION OF EDUCATION/SERVICES

Question: It is my understanding that all too often -- when several Federal programs are involved in providing services to the disabled -- these agencies enter into debate about who should pay for services and who should take the lead -- this works to the disadvantage of the individual seeking assistance. What action are you taking to deal with this situation; especially in cases where both medicaid and rehabilitation services are involved?

Answer: The 1986 amendments to the Rehabilitation Act strengthened the language regarding comparable benefits. State vocational rehabilitation program regulations under Part 361.47, Financial need: Determination of the availability of comparable services and benefits, stipulate that the State plan must assure that before the vocational rehabilitation agency provides services to an individual with handicaps, it must determine whether comparable services and benefits are available under any other program. An exception to this requirement exists when there would be a delay in the provision of services to an individual who is at extreme medical risk. In addition, if comparable services and benefits are available, they must be utilized to meet in whole or part, the cost of vocational rehabilitation services.

Physical and mental restoration services are included under the scope of services which can be provided by a State vocational rehabilitation agency to an eligible handicapped person as specified under their individual written rehabilitation program. Some of these services are also covered services under the Medical Assistance program for eligible recipients. Individuals who are eligible for the Medicaid program are required to use the resources of that program for needed medical services. If an individual is not eligible for health care benefits from another source such as Medicaid, Medicare, group or private insurance, the VR State agency will provide funds for medical or medically related rehabilitation services which are expected to contribute substantially the individual's vocational rehabilitation.

Approximately one-third (31.3 percent) of persons rehabilitated in fiscal year 1988 who received medical or physical restoration services had one or more of these services either fully or partially paid for by sources other than the State VR agency. RSA has strongly encouraged cooperative agreements between State VR agencies and State Medicaid agencies. States which have these agreements report that cooperation between the agencies is very good.

SUPPORTED EMPLOYMENT PROGRAM

Question: We provide funding for both Supported Employment State formula grants as well as a discretionary State grant program. Why do we need both of these programs?

Answer: Supported employment is a still a relatively new program and an infusion of Federal funding is needed to insure the development and maintenance of State delivery systems. The funding strategy for Supported Employment is to continue support for both the program's development and direct service delivery. Title VI, Part C, Supported Employment State formula grants provide for training and time-limited post-employment services (18 months) through State VR agencies. Title III Statewide Demonstration projects have provided the foundation for the development of service delivery systems and are intended to stimulate funding and the provision of services on a statewide basis. These projects cannot use their funding for the direct provision of client services.

Continued funding of demonstration grants will allow the momentum to continue including providing the opportunity for States beyond the 27 original grantees to receive support for system changes, assisting States in identifying and securing additional funding for extended services, assisting States in stabilizing staff roles, and permitting the evolution of supported employment models to serve more difficult populations. The funds requested for the Title VI, Part C program will assist States to provide community-based employment services to severely handicapped individuals.

Question: What is the average period of time that supported employment clients are served?

Answer: Supported employment clients receive training and time-limited post-employment services for a period of 18 months from VR State agencies. Other State and local agencies provide "extended services" to the client for the duration of employment. Due to the relative newness of this program, no actual data have been obtained on the average period of time that supported employment clients are served. Currently, the Virginia Commonwealth University (VCU) is examining, through a five year research grant form NIDRR, the national impact of supported employment. VCU has found, with 11 States reporting, that the average number of hours of job coach intervention per placement was 233 hours for persons served in the individual placement model. The number of intervention hours assists in projecting the time and resources which will be needed to place, train, and retain individuals in employment. VCU will have additional data available on supported employment in August 1990.

Question: How successful have the States been in obtaining ongoing funding for supported employment clients?

Answer: State VR agencies provide only time-limited (18 months) initial placement and training services under Title VI, Part C and may also utilize Title I basic State formula grant case service funds to supplement the purchase of supported employment services. Other State and local agencies provide "extended services" for the duration of employment.

RSA has limited data on States' achievements in securing long-term funding for extended services. The 1988 NIDRR-funded study of the 27 States with Title III systems change grants indicated that States have been effective in facilitating the system development and funding of supported employment services leveraging over $80,000,000 from State and other sources for extended services over the past few years. The study reported that all States were able to provide extended services, on a limited basis, for individuals with mental retardation. In most (77 percent) of these States, persons with long-term mental illness were able to access and secure funding for extended services through mental health service systems.

Identifying mechanisms to fund ongoing support services for other individuals has been difficult for States. The States' success rates in securing extended services for target groups such as persons with traumatic brain injury, cerebral palsy, other physical disabilities, and sensory impairments has been varied, ranging from 19 percent to 33 percent. Frequently cited sources of extended service funding include: State appropriations for specific target groups with disabilities, State agency general revenues, local community agencies, Job Training Partnership Act (JTPA), Medicaid waivers, Social Security Plan to Achieve Self Support (PASS), and private funds.

Question: How does the recidivism rate for supported employment clients compare to the rate for other vocational rehabilitation clients?

Answer: There are no data available on the recidivism rate for individuals in supported employment. The majority of persons currently being served in supported employment services are persons with developmental disabilities (DD) and long-term mental illness (MI). These individuals are typically long-term clients of the State and local DD and MI service systems. These systems provide a safety net if an individual's supported employment placement fails and insure that the individual is referred for placement to the most appropriate service program.

CLIENT ASSISTANCE PROGRAM EFFECTIVENESS

Question: A 4.2 percent increase has been requested in the Fiscal Year 1991 budget for the Client Assistance programs. Are the Client Assistance programs effective in enabling applicants and clients to participate in all programs authorized under the Rehabilitation Act?

Answer: Most of the clients served by the Client Assistance programs (CAPs) are clients receiving services under Titles I, VI-C, and VII-A (Vocational Rehabilitation Services, Supported Employment Services for Individuals with Severe Handicaps, and Comprehensive Services for Independent Living). With the exception of the Grants for Indians program, other projects and programs funded under the Act are not required to notify individuals with handicaps of the availability of CAP services. RSA is taking steps to encourage these projects and programs to inform client applicants and clients about CAPs and is asking CAPs to increase outreach activities.

Question: Are the rights of clients sufficiently clear to facilitate this activity?

Answer: While the rights of clients are clear under Titles I, VI-C and VII-A, there may be some question as to the specific rights under other titles of the Rehabilitation Act. RSA will examine this issue in the context of developing a reauthorization proposal.

Question: How effective are the Client Assistance programs in assuring that the needs of American Indians are adequately met?

Answer: The Department has no basis for determining effectiveness of CAPs in ensuring that the needs of any specific populations such as Indians are adequately met. The data collected by CAPs does not include client demographics, and no specific studies of this issue have been conducted.

However, RSA has directed Client Assistance programs (CAPs) to conduct outreach to ensure that individuals within their State served under programs and projects funded under the Indian Grants Programs are aware of the availability of CAP services.

PROTECTION & ADVOCACY

Question: Funding for protection and advocacy programs is provided under the Developmental Disabilities Program administered by Health and Human Services, and also provided under several programs administered by the Office of Special Education and Rehabilitative Services. All of these programs serve the same purpose -- advocacy for the handicapped. Would one funding source and one consolidated Protection and Advocacy Program better utilize the Federal dollars in providing mandated services?

Answer: We believe that, in general, elimination of overlapping programs improves utilization of Federal funds. However, in this case, there are important differences among the programs that need to be considered in evaluating the benefits of consolidation. There are four programs that provide protection and advocacy (P&A) for individuals with disabilities. The Department of Health and Human Services (HHS) funds three programs: the Developmental Disabilities Protection and Advocacy Grants, the Protection and Advocacy Program for Mentally Ill Individuals, and the Long-Term Care Ombudsman Program. The fourth program, the Client Assistance Program, is funded through the Department of Education (ED). Following are brief descriptions which provide general information on differences among these programs:

- The Developmental Disabilities P&A Grants provide assistance to individuals with severe, chronic disabilities attributable to mental or physical impairment, which are manifested before the person attains age 22, result in substantial functional limitations in several areas of life, and require services over an extended period. In Fiscal Year 1987, the P&A agencies handled a total of 70,216 individual cases. Class action suits served 151,114 persons. The majority of cases involved access to education.

- The Protection and Advocacy Program for Mentally Ill Individuals (PAMI) provides assistance to persons who have a significant mental illness or emotional impairment, as determined by a mental health professional qualified under the laws and regulations of the State, and must be an inpatient or resident in a facility rendering care or treatment.

Facilities encompass hospitals, nursing homes, community facilities for mentally ill individuals, and board and care homes. In Fiscal Year 1987, PAMI served a total of 9,758 clients, with more than half living in public mental hospitals at the time they contacted the P&A. The three major categories of client problems were: neglect (45 percent of total case problems); rights protection (32 percent); and abuse (22 percent).

- The Long-Term Care Ombudsman Program serves individuals residing in nursing homes or board and care homes with a priority on serving persons aged 60 and over. The most frequent categories of problems involved resident care, resident rights, and food/nutrition. In Fiscal Year 1987, 70 percent of complaints handled were against nursing homes, 14 percent were against board and care facilities, 3.6 percent were against regulatory agencies, and 12 percent were in other areas.

- The Client Assistance Program (CAP) provides assistance to clients who receive and client applicants who seek services from programs under the Rehabilitation Act of 1973, as amended. These programs primarily provide services to individuals who have a physical or mental disability which constitutes or results in a substantial handicap to employment. In addition, there must be a reasonable expectation that an individual will benefit from the provision of vocational rehabilitation services in terms of employability. In Fiscal Year 1988, a total of 54,906 individuals were served. This included 42,223 information and referral inquiries and 12,683 cases. Half of the individuals reported problems related to the quantity, quality and/or expediency of services received. Twenty-five percent of the concerns expressed were related to the client application process, eligibility determinations, and other issues pertaining to the individuals written rehabilitation plan (IWRP). The third most common problem area involved conflicts between the client/applicant and a program staff member.

The acts authorizing these programs have major differences in the types of persons served, eligibility requirements, and types of problems addressed. In addition, the interventions used to address various problems among these disabled groups are different. For example, the statutory language for the Client Assistance Program specifically states that any agency designated to provide client assistance "may not bring any class action in carrying out is responsibilities" whereas the other P&A programs are not prohibited from carrying-out class action suits.

Question: What is being done to ensure that coordination between these various protection and advocacy programs is taking place and that we are not, in effect, duplicating services?

Answer: Coordination among the programs exists informally at the State and local levels on a continual basis however, these programs are not required to coordinate. On the Federal level, these agencies are also working to promote coordination. For example, the congressionally established committee on Interagency

Cooperation on Developmental Disabilities, through its Subcommittee on Advocacy, is engaging in activities to coordinate reporting of demographics on the persons served.

In regards to duplication, the programs to which you refer have different purposes and objectives. It is possible, in some cases, that an individual could be eligible for services under more than one of these programs. However, for the most part, the programs serve substantially different populations and the interventions used to address the problems of the target population are very different.

The Rehabilitation Act expires in 1991, including the Client Assistance Program. The Department of Education will be looking at this issue further during the reauthorization process for this program.

INCREASE FOR TECHNOLOGY ASSISTANCE PROGRAM

Question: The Department is proposing a substantial increase for the Technology Assistance program. Since the program has only been in existence for two years, and you are just beginning the required evaluation, do you believe it is wise to expand the program at such as rapid rate?

Answer: I do not think that we are expanding the Technology Assistance program too rapidly. The Department is strongly committed to supporting State efforts to develop and implement consumer-responsive coordinated statewide systems of technology assistance. We believe that efficient statewide systems can significantly improve access to technology assistance for disabled persons of all ages. Our request reflects this commitment.

In addition, our request reflects the statutory requirement that State development grants be awarded for a period of three years. More than half of the increase we have proposed would be used to continue support for a third year for the 9 State grants award in 1989 and for a second year for the 13 State grants we expect to award in 1990. Our request would also provide funds for continuing technical assistance activities at the mandated level, completing the national evaluation, continuing the model project activities initiated in 1990, and small increases in the State grant awards to help States meet increases in costs. We would support only 12 new State grant awards in 1991, one less than the number we expect to support in 1990. Therefore, about 65 percent of the funds we have requested would be used for the continuation of activities supported in 1990.

MAKING NEW ASSISTIVE TECHNOLOGY DEVICES AVAILABLE TO THE DISABLED

Question: What steps are being taken to ensure that new assistive technology devices are made available to individuals in rehabilitation services or in P.L. 94-142 programs?

Answer: There are several ways in which the Department tries to ensure that new assistive technology devices are made available to the disabled. For example, many of the Rehabilitation Engineering Centers, which are supported through the National

Institute on Disability and Rehabilitation Research (NIDRR), work closely with State Vocational Rehabilitation agencies to develop and transfer technology that is needed for individual clients who are in vocational rehabilitation service programs. Through NIDRR, the Department also supports ABLEDATA, a national information bank on assistive technology devices and services. Through the Office of Special Education, the Department supports an information center dealing with special education technology, which, in collaboration with service and product providers, disseminates information about emerging trends in technology and how technology can be best used to educate handicapped children.

COORDINATING RESEARCH IN TECHNOLOGY

Question: Technology development is funded under a number of different places in the budget. What assurance can you give that there is not a duplication of research and that there is a coordination of effort?

Answer: We have been working to improve coordination among the three components of the Office of Special Education and Rehabilitative Services (OSERS) in all areas dealing with the disabled, including technology. When developing priorities, consideration is given, where appropriate, to requiring grantees to coordinate with other projects in OSERS that deal with similar concerns. For example, we required that the special demonstration projects on technology assistance that were supported by the Rehabilitation Services Administration (RSA) be coordinated with the State Grants program under the Technology Assistance program, so that the findings from these projects would be shared with States that were developing their statewide systems of technology assistance. The National Institute for Disability and Rehabilitation Research (NIDRR) and the Office of Special Education (OSEP) jointly administer their activities in the Small Business Innovative Research program.

In addition, the Assistant Secretary for OSERS has recently undertaken several management initiatives to improve coordination. He has established a task force on technology, comprised of staff from RSA, OSEP, and NIDRR. Draft work statements for new activities, including activities related to technology, that have been developed by one component are now reviewed by the other two. The Assistant Secretary holds joint weekly meetings with the heads of the three components to explore issues of mutual interest, including technology. Finally, he is establishing a joint priority setting process for the three components that will provide for a coordinated development of new program priorities, including priorities dealing with technology. These activities should not only improve coordination in OSERS but should also eliminate duplication of research efforts.

Through the Interagency Committee on Disability Research, which is chaired by NIDRR's Director, the Department works with other Federal agencies to coordinate Federal research in all areas of disability research, including technology.

DISSEMINATION OF TECHNOLOGY KNOWLEDGE

Question: What steps are you taking to ensure that the knowledge developed is disseminated to the user community?

Answer: We are taking a number of steps to ensure that the knowledge developed about technology is disseminated to the user community. For example, the Rehabilitation Engineering Centers (RECs), which we support through the National Institute on Disability and Rehabilitation Research (NIDRR), must develop databases of devices and research in their priority areas, including technology. The RECs are further expected to disseminate the results of their own research. We also support several RECs that deal exclusively with various aspects of technology transfer, including technology evaluation, technology dissemination, and statewide model dissemination programs. In addition, through NIDRR, the Department supports ABLEDATA, a national information bank on assistive technology devices and services. Users of ABLEDATA can search for devices according to the type of disability or functional loss, and can see graphic depictions of various devices, along with specifications for their use and suppliers. Through the Office of Special Education (OSEP), the Department supports an information center for special education technology. This Center, working in collaboration with service and product providers, disseminates information about emerging trends in technology and how technology can be best used to educate handicapped children. Through OSEP, the Department also supports several projects that deal with ways of using technology to improve educational services for these children.

Office of Educational Research and Improvement

Office of Postsecondary Education

Office of Vocational and Adult Education

STATEMENT OF CHARLES E.M. KOLB, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION

ACCOMPANIED BY:

- **CHRISTOPHER CROSS, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND IMPROVEMENT**
- **LEONARD HAYNES, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION**
- **BETSY BRAND, ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION**
- **SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION**

WELCOMING NEXT PANEL

Senator Harkin. We will now hear from our second panel, Mr. Kolb, Ms. Christensen. We will hear from Christopher Cross, Assistant Secretary for Educational Research and Improvement; Leonard Haynes, the Assistant Secretary for Postsecondary Education; and Betsy Brand, the Assistant Secretary for Vocational and Adult Education.

I welcome all of you. I especially welcome Betsy Brand back——

Ms. Brand. Thank you very much, Senator.

Senator Harkin [continuing]. Who used to be up here. [Laughter.]

We miss you on the Labor Committee, but we are pleased to see you in your important position at the Department of Education.

Mr. Kolb, did you want to proceed with an opening statement?

Mr. Kolb. Yes, Mr. Chairman, same format if that is acceptable to you.

Senator Harkin. OK.

SUMMARY STATEMENT

Mr. Kolb. Mr. Chairman and members of the committee, I would now like to discuss the 1991 budget proposals for Department of Education programs in the areas of adult education, postsecondary education and educational research and improvement which build upon the agreement made by the President and the Nation's Governors that the Federal role in education is both to promote educational opportunity for all Americans and to provide information and assistance for pursuing educational excellence.

VOCATIONAL AND ADULT EDUCATION

For Vocational and Adult Education Programs, the 1991 budget includes almost $1.2 billion, including $929.7 million for vocational education activities and $1 million for technology education demonstrations, the same levels as in 1990, and $238.7 million for adult education, which is an increase of almost 24 percent.

The Department submitted its proposed reauthorization of the Carl D. Perkins Vocational Education Act on April 10, 1989 to improve Federal vocational education activities by increasing State accountability, by eliminating funding set-asides, by better focusing program improvement funds, and by strengthening the link between vocational education programs and the labor market.

Improving adult literacy is a major Department priority, and our budget includes increases that amount to $45.9 million, or 24 percent over the 1990 level for programs that focus on literacy. State grants would be funded at $200 million. National programs funded at $8 million would not only continue to support existing projects, but would also create a new national clearinghouse to provide technical assistance to practitioners and disseminate information on the most successful practices in adult literacy education.

STUDENT AID

The 1991 budget includes $9.5 billion for Student Aid Programs, helping to provide $18 billion in loans, grants and work-study assistance to about 5.9 million students.

For Pell grants, the largest and most need-targeted Federal Student Aid Program, our request is $5.277 billion, including $371 million to cover shortfalls from previous years. The remaining $4.906 billion would fully fund a maximum award of $2,300 in academic year 1991–92, the same as in the preceding year, and would include funding for less-than-half-time students. In addition, it would increase the number of Pell grant recipients by 175,000, and it would increase aid available to students by $126 million. We are also requesting 1990 supplemental appropriations language for Pell grants to allow us to use 1990 appropriations to cover 1989 Pell grant costs.

The budget proposes $458.7 million for supplemental educational opportunity grants and $601.8 million for work-study, the same as the 1990 levels for these two campus-based financial aid programs.

The budget proposes $15 million for new capital contributions for income contingent loans in academic year 1991–92, an increase of $10.1 million over appropriations available for the previous academic year. Together with the institutional match, the appropriation would provide $16 million in new loans to approximately 6,400 students.

The budget requests no new capital contributions or loan cancellation payments for Perkins loans. Even without new Federal capital, institutional revolving funds are expected to support new loans to about 695,900 student borrowers. For loan cancellation payments, no funds are required at this time.

No funds are requested for State student incentive grants, which long ago accomplished its goal of stimulating States to establish need-based student grant programs.

This year we are requesting an appropriation of $3.368 billion to meet the costs of guaranteed student loans in fiscal year 1991, covering the liquidation of $3.108 billion in 1991 obligations and financing prior year obligations of $260 million.

The costs of the guaranteed student loan programs go down in 1991 primarily because of reduced interest rates. Nonetheless, guaranteed student loan volume is projected to increase by $54 million in 1991.

HIGHER EDUCATION

For other higher education programs, we are emphasizing increases for historically black colleges and universities and for programs that provide counseling services and financial support to disadvantaged students.

The TRIO program would be funded at $269.7 million, an increase of $27.9 million over 1990, that would support several initiatives, among them a talent search initiative that addresses the high dropout rate among disadvantaged students and an Upward Bound mathematics and science initiative to prepare disadvantaged students for higher education in these fields.

For title III of the Higher Education Act, our request is $214.9 million, an $18.7 million increase above the 1990 appropriation. This request includes $15 million for a new program of endowment matching grants to be available only to historically black colleges and universities as first proposed last year by President Bush in the Educational Excellence Act of 1989.

We are also requesting $5 million to support the proposed National Science Scholars Program providing scholarships to high school seniors who excel in science or mathematics.

EDUCATIONAL RESEARCH AND IMPROVEMENT

For educational research and improvement activities, including the funding of libraries, we are proposing a total of $213.8 million. Federal investments in research, statistics and improvement of education practice have never been more important than they are now as the President and the Governors commit themselves to improving educational achievement.

Our budget provides an increase of $79.5 million in research, statistics and improvement of practice, from $95.2 million to $174.4 million. For statistics and assessment, with an increase of 52 percent, the budget will fund the national assessment of educational progress and improvements and expansions in our collection of data on education trends, as well as longitudinal studies of student progress.

The increase in research and dissemination activities from $55.5 million to $69.3 million, a 25-percent increase, will support, for example, new research on dropout prevention, evaluation of various education reform measures that have been instituted by the States, and increases in the national network of research and development centers and the regional education laboratories.

We are also requesting $25 million for a new principal training initiative to improve the abilities of school principals and other administrators by having proven successful principals provide short-term training and year-long mentorships to persons preparing to become principals.

PREPARED STATEMENT

Finally, we are requesting $20 million for activities that would follow up on agreements that were made at the education summit this past September by the President and the Governors. These activities may include research to help determine what strategies are likely to be effective in achieving national education performance goals and the development of measures of progress toward these goals.

My colleagues and I, Mr. Chairman, would be happy at this point to answer any questions that you may have. Thank you.

[The statement follows:]

STATEMENT OF CHARLES E.M. KOLB

Mr. Chairman and Members of the Committee:

I am pleased to appear here today to discuss the 1991 budget proposals for Department of Education programs in the areas of vocational and adult education, postsecondary education, and educational research and improvement.

I would like to summarize our request for these programs and insert for the record detailed statements from my colleagues who are responsible for administering them.

The 1991 budget now before you is the product of our efforts to build upon the agreement made by the President and the Nation's Governors that the Federal role in education is both to promote educational opportunity for all Americans and to provide information and assistance for pursuing educational excellence.

Vocational and Adult Education

For Vocational and Adult Education programs, the 1991 budget includes almost $1.2 billion, including $929.7 million for vocational education activities and $1 million for technology education demonstrations--the same levels as in 1990--and $238.7 million for adult education, which is an increase of almost 24 percent.

The Department submitted its proposed reauthorization of the Carl D. Perkins Vocational Education Act on April 10, 1989. Our proposal would improve Federal vocational education activities by increasing State accountability for student performance; eliminating funding set-asides and separate categorical programs; focusing program improvement funds on personnel development, equipment acquisition and curriculum development; and strengthening the link between vocational education programs and the labor market.

The House and Senate versions of the reauthorization each incorporate some of these features; however, since the Perkins Act is subject to further congressional action, we have requested lump-sum funding and will provide more detail for our request once the Perkins Act is reauthorized.

Improving adult literacy is a major Department priority, and our budget includes increases that amount to $45.9 million, or 24 percent, over the 1990 level for programs that focus on literacy. State Programs, which assist the States in teaching basic skills to illiterate adults and help adults attain high school equivalency, would be funded at $200 million. National Programs, funded at $8 million, would not only continue to support existing projects, such as a national study of adult education programs, but would also create a new national clearinghouse to provide technical assistance to practitioners and disseminate information on the most successful practices in adult literacy education. This new clearinghouse would, for the first time, provide a focal point for leadership and support for adult literacy education.

Student Aid

The 1991 budget includes $9.5 billion--38 percent of our budget--for student aid programs, helping to provide $18 billion in loans, grants, and work-study assistance to about 5.9 million students.

For Pell Grants, the largest and most need-targeted Federal student aid program, our request is $5.277 billion, including $371 million to cover shortfalls from previous years. The remaining $4.906 billion would fully fund a maximum award of $2,300 in academic year 1991-92, the same as in the preceding year, and would include funding for less-than-half-time students. While the total level for Pell Grants reflects savings proposed in appropriations language that would reduce the cost of the program by $218 million, it also would increase the number of Pell Grant recipients by 175,000 and would increase aid available to students by $126 million over 1990. We are also requesting 1990 supplemental appropriations language for Pell Grants to allow us to use 1990 appropriations to cover 1989 Pell Grant costs for which 1989 appropriations were insufficient. While the enacted 1990 language provided $131 million to cover unfinanced costs in the 1989-90 award year, current estimates are that we will need to borrow $265 million more than that from the 1990 appropriation.

The budget proposes $458.7 million for Supplemental Educational Opportunity Grants and $601.8 million for Work-Study, the same as the 1990 levels for these two campus-based grant programs. In academic year 1991-92, the aid available to students under Supplemental Grants would increase by over $27 million due to the statutory increase in matching share requirements, making over $1.3 billion in aid available to students from both programs.

The budget proposes $15 million for new capital contributions for Income Contingent Loans in academic year 1991-92, an increase of $10.1 million over appropriations available for the previous academic year. Together with the institutional match, the appropriation would provide $16 million in new loans to 6,400 students. These students would benefit from the ICLs' flexible, income-sensitive repayment plans that would help students to avoid defaults and, because of their lower debt burden, would widen their options in choosing careers.

The budget requests no new capital contributions or loan cancellation payments for Perkins Loans. Perkins Loans provide heavy and unnecessary Federal interest subsidization. Even without new Federal capital, however, the existing institutional revolving funds are expected to support approximately $743.6 million in new loans to about 694,900 student borrowers. For loan cancellation payments, no funds are required. Funds now available are in excess of projected needs since annual reimbursement requests from institutions have been lower than expected.

No funds are requested for State Student Incentive Grants, which long ago accomplished its goal of stimulating States to establish need-based student grant programs. State expenditures in this area have increased in recent years by 6 to 13 percent per year, even as Federal funding for incentive grants has dropped or remained level.

This year we are requesting an appropriation of $3.368 billion to meet the costs of Guaranteed Student Loans in fiscal year 1991, covering the liquidation of $3.108 billion in 1991 obligations and financing prior year obligations of $260 million.

The costs of the Guaranteed Student Loans program go down in 1991 primarily because of reduced interest rates, but also because of our proposals to increase risk-sharing with guarantee agencies and reduce the still unacceptably high costs associated with student loan defaults. These proposals would reduce Federal subsidies and costs to the taxpayer without affecting the availability of loans. In fact, GSL loan volume is projected to increase by $54 million in 1991.

Other Postsecondary Programs

For other higher education programs we are emphasizing increases for historically black colleges and universities, and for programs that provide counseling services and financial support to disadvantaged students.

The TRIO program would be funded at $269.7 million, an increase of $27.9 million over 1990, that would support several initiatives. For example, the increase would help to support a Talent Search initiative, begun in 1989, that addresses the high dropout rate among disadvantaged students by encouraging them to pursue a college education and helping them to seek financial aid. Increased funding would also provide for an Upward Bound mathematics and science initiative to develop the interest of Upward Bound students in mathematics, science, and engineering and to prepare them for higher education in these fields.

For Title III of the Higher Education Act, our request is $214.9 million, an $18.7 million increase above the 1990 appropriation, for schools enrolling large numbers of financially needy students. This request includes $15 million for a new program of endowment matching grants to be available only to historically black colleges and universities, as first proposed last year by the President in the Educational Excellence Act. To begin this program in 1990, we are proposing supplemental appropriations language that would earmark $5 million in 1990 Endowment Grant funds, to be used for this new HBCU set-aside. We believe that by increasing the endowment base of HBCUs, we will be contributing toward their long-term financial health.

We are also requesting $5 million to support the proposed National Science Scholars program, providing scholarships to high school seniors who excel in science or mathematics. In our existing scholarships and fellowships programs, we are focusing on meeting national manpower needs and improving access to graduate education for underrepresented populations.

Education Research and Improvement

We are proposing a total of $213.8 million for education research and improvement activities, including the funding of libraries. Federal investments in research, statistics, and improvement of education practice have never been more important than they are now, as the President and the Governors commit themselves to improving educational achievement.

In order to carry out the Federal responsibility to collect and disseminate good information and encourage its use to improve educational practice, the budget provides an increase of $79.5 million in Research, Statistics, and Improvement of Practice from $95.2 million to $174.7 million. The statistics and assessment budget, with an increase of 52 percent, will fund the National Assessment of Educational Progress and improvements and expansions in our collection of data on trends in enrollment, staffing, finances, and teacher supply and demand, as well as longitudinal studies of student progress. The increase in research and dissemination activities, from $55.5 million to $69.3 million, or 25 percent, will support new research on dropout prevention, evaluation of various education reform measures that have been instituted by the States, increases in the national network of research and development centers and the regional education laboratories, new research in alternative approaches for assessing student learning and other issues related to improving educational practice and achievement outcomes, and a new dissemination initiative.

We are also requesting $25 million for a new Principal Training initiative to improve the abilities of school principals and other administrators by having proven successful principals provide short-term training and year-long mentorships to persons preparing to become principals. Since the principal has been shown to be a central figure in school performance and reform, and is even more important in light of increasing school-site management, a special initiative to train talented people for this position would be a worthwhile investment of Federal resources.

Finally, we are requesting $20 million for activities that would follow up on agreements made at the Education Summit this past September by the President and the Governors. These activities may include research to help determine what strategies are likely to be effective in achieving national education performance goals and the development of measures of progress toward these goals. Funds may also support activities incident to implementing proposed legislation providing flexibility and enhanced accountability in the use of Federal funds.

For Libraries, we are requesting $39.1 million to fund activities in which Federal investment serves a national need. Increased funding is provided to improve the literacy skills of the many American adults who are illiterate, and to increase library resource sharing, the most efficient means of making more materials available to more people. No funding is requested for public library services or for library construction. Nearly universal access to public libraries has long been achieved in this country, and general assistance not targeted on those with greatest needs is no longer warranted or necessary.

My colleagues and I would be happy to answer any questions you may have.

STATEMENT OF BETSY BRAND

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today to discuss the 1991 budget request for vocational and adult education. When combined with State, local, and private efforts to prepare a skilled and literate work force, these programs contribute significantly to our country's economic growth and industrial competitiveness.

I am pleased to submit to you today a budget for vocational and adult education that totals almost $1.2 billion. This represents an increase of approximately $45.9 million over the 1990 appropriation.

Vocational Education

The budget request includes $929.7 million for vocational education programs, the same level as the 1990 appropriation. Funds would be used to support vocational education under the Department's proposed reauthorization legislation for the Perkins Act, which was submitted to Congress last year. Among the major concerns addressed in this proposal are increasing accountability in vocational education, substantially reducing the complexities of existing law, maintaining emphasis on equity and program improvement, and strengthening the links between vocational programs and the labor market. Since the new structure of the Perkins Act is subject to further congressional action, specific amounts requested for individual activities will be submitted to Congress as soon as the new legislation is enacted.

Adult Education

Improving the level of literacy for adults is one of our national education goals. A total of $238.7 million is being requested for adult education programs to assist in this effort, a 23.8 percent increase over the 1990 level. We believe this increase demonstrates the concern of this administration about our Nation's problem of illiteracy and takes a major step in providing needed leadership at the Federal level through coordination of programs and dissemination of effective practices and programs to the front-line service providers in the field. Our proposal for an adult literacy clearinghouse, which I will discuss later, will help to meet the increased demands placed upon our adult education programs.

Included in this request is a total of $200 million for the adult education State grant program, a $42.2 million increase over the 1990 appropriation and the highest level ever requested for this program. This increase in funding will allow the States to pursue more extensive adult education and literacy projects and to serve an estimated 660,000 additional Americans. This request reflects the administration's strong commitment toward eliminating adult illiteracy, improving workforce productivity through basic skills education, and addressing the special needs of non-English speaking immigrants.

With funding at this level, we expect that approximately 4 million adults would be served under the adult education State programs. With the matching requirements specified in the Act, increases in Federal funding translate into even greater State and local support for adult education. Currently, support from the State and local levels and the private sector accounts for approximately three-fourths of all adult education spending. With the strong leadership of the President and Mrs. Bush, we expect voluntary and private efforts to increase and the number of individuals we help to continue to grow.

We are requesting a total of $8 million for National Programs, an increase of $6 million over the 1990 appropriation. Of this total, approximately $2 million will be used to continue funding for the ongoing National Study of Adult Education Programs, which will provide data on adult education programs and participants prior to the next reauthorization. Another $1 million will be used to continue support for an interagency effort among the Departments of Education, Labor, and Health and Human Services to provide technical assistance to the States in implementing the new JOBS program, and to begin a study of the Literacy Training for Homeless Adults program.

The remaining $5 million will be used to fund a national adult education clearinghouse. In carrying out its functions, the clearinghouse will provide leadership and coordination to the field of adult literacy and education. The clearinghouse will be a comprehensive resource center for information that can be used by Federal, State, and local agencies, national organizations, policymakers, researchers, and practitioners to establish, improve or expand adult literacy programs. This project will provide leadership and direct support for an integrated program of research and development, identification and dissemination of best practices in adult education, and technical assistance to the adult education field. With the establishment of this clearinghouse there will be, for the first time, a focal point for research and information on adult education and literacy programs. The establishment of this national clearinghouse represents a major new Federal commitment to addressing the many problems facing the States and localities as they attempt to provide high quality adult education and literacy services.

A total of $10 million is requested for Literacy Training for Homeless Adults, authorized under the Stewart B. McKinney Homeless Assistance Act, which would fund this program at its fully authorized level as promised by the President. This request represents an increase of $2.6 million over the 1990 appropriation. These funds would be used to continue programs begun in 1989 and 1990 designed to assist States in developing and implementing programs of literacy training, basic skills remediation for homeless adults, counseling, child care, and transportation. We feel this program is important since it serves an exceptionally disadvantaged population, and it seeks to solve the problems of the homeless by allowing a comprehensive approach to the provision of education and support services.

Our request includes $19.7 million for Workplace Literacy Partnerships, the same level as the 1990 appropriation. This grant program, which supports literacy efforts by the business community, has generated a tremendous interest in the field. Funding at this level will allow the Department to make approximately 70 discretionary grants to partnerships involving business, labor, and educational agencies to demonstrate methods of providing literacy training to meet workforce needs.

Finally, a total of $1 million is requested for English Literacy Grants. This represents a decrease of $4.8 million below the 1990 appropriation level for this activity. In 1991, we are eliminating the English Literacy State grants program since it duplicates services provided under the Adult Education State Grants. Limited English proficient adults are being served in substantial numbers under the basic State grants program. We will focus our efforts on funding a few carefully designed demonstration programs to develop and disseminate information on the most effective ways to provide English literacy training to the limited English proficient. The clearinghouse on education for individuals of limited English proficiency, which is supported with these national demonstration funds, will be continued.

Technology Education

We are requesting a total of $988 thousand for the Technology Education Demonstration program authorized under the Omnibus Trade and Competitiveness Act of 1988. This represents level funding for this program, which was funded for the first time in 1990. The requested funds will be used to provide grants to local educational agencies, State educational agencies, consortia of public and private agencies, organizations and institutions, and institutions of higher education for the development of model demonstration programs in technology education for secondary schools, vocational education centers, and community colleges.

At this time, Mr. Chairman, my colleagues and I will be happy to respond to any questions you may have concerning our budget request for Vocational and Adult Education.

STATEMENT OF LEONARD L. HAYNES, III

Student Financial Assistance and Guaranteed Student Loans

Mr. Chairman and Members of the Committee:

It is a pleasure to be here to present our budget request for the Student Financial Assistance and Guaranteed Student Loan accounts. Our budget request for fiscal year 1991 is nearly $9.5 billion, which we estimate will provide in excess of $18 billion to needy postsecondary students. This budget will help assure access to a postsecondary education for the financially disadvantaged by providing 9,782,000 awards for grant, loan and employment assistance to an estimated 5,857,000 students. Additionally, it enlarges the scope of our Default Reduction Initiative by including a number of proposals designed to safeguard the Federal investment in these programs by affording increased protection to the student consumer, requiring greater institutional accountability, and further addressing the still unacceptably high level of defaults and the issues of rights and responsibilities.

Fair play for students is at the core of our efforts to reduce defaults. Consequently, we are proposing to require any school with a default rate greater than 30 percent to implement a pro-rata refund policy for any Title IV aid recipient who withdraws during the first few weeks of class. Second, to protect individuals from high pressure sales techniques, we are proposing to prohibit schools from employing anyone other than salaried employees or volunteers in recruiting or admissions activities. Finally, we are proposing to modify the "ability to benefit" provision so that passing a test formulated and administered by an independent third party would be a condition for eligibility for Title IV aid for any admitted students without a high school diploma or its recognized equivalent. These proposals would discourage institutions from enrolling academically ill-prepared individuals, thus protecting students as well as taxpayers from unscrupulous institutional practices and lessening the opportunity for program abuses.

We are proposing additional default reduction and enhanced collection measures which are unique to the loan programs. The 1991 budget proposes to require lenders and institutions to check routinely the histories of all prospective borrowers who are age 21 or over. If the borrower has a poor credit history, the loan could be granted only if a credit-worthy cosigner were obtained. Those with no credit history, the vast majority of student borrowers, would not be required to have a cosigner. Thus, access to loan assistance would not be obstructed. We also propose requiring institutions to collect from the student more information that would assist in locating the borrower, thereby improving the collection potential of loans. This information would include the borrower's driver's license number, address of next of kin, expected address upon graduation, and the name and address of the borrower's prospective employer.

Pell Grants

The Pell Grant program request is $5.277 billion, an increase of $472.5 million over the 1990 appropriation, in order to fully fund the Pell Grant program at a maximum award level of $2,300. This request sustains the maximum award in effect for 1990-91, includes funding for less-than-full-time students, and provides funds to cover the funding shortfalls of $371 million from prior years, all of which demonstrate the Department's commitment to maintaining grant support for the neediest students. This request would provide assistance to an estimated 3,389,000 students (175,000 more than the current year) who would receive grants averaging $1,443.

Supplemental Educational Opportunity Grants

The budget request for the Supplemental Educational Opportunity Grant program is $458.6 million, which maintains the current Federal funding level. However, the aid available to students under this program would increase by $27.4 million and the number of students participating in the program would increase by 18,000 students in academic year 1991-92 compared with that available in 1990-91, due to the higher institutional match required by statute. The Federal funds, together with the required institutional match, would provide grants averaging $740 to 696,000 students.

Work-Study

The fiscal year 1991 request for Work-Study is $601.8 million, the same level of funding as in 1990. In academic year 1991-92 the total aid available under the Work-Study program is expected to be $823.2 million which would provide average earnings of $945 to 871,000 students.

Income Contingent Loans

For the Income Contingent Loan (ICL) program, the budget proposes $15 million in new capital contributions for fiscal year 1991, an increase of $10.1 million over the funding level in academic year 1990-91. This amount would support awards in academic year 1991-92. The 1991 budget request, when supplemented by institutional matching contributions, would provide approximately $16 million in new loans, averaging $2,500, to approximately 6,000 student borrowers. Two important program changes are being proposed in order to expand institutional and student participation. The first would make graduate students eligible to borrow. The second proposed change would remove the current 10-institution limit on participation and permit consortia of institutions to participate.

Enhanced access to these loans is an important element in the overall effort to reduce defaults. This program avoids the repayment problems associated with traditional short-term, equal-installment payment schedules. Also, the flexible, income-sensitive repayment plans avoid discouraging students from pursuing careers in low-paying fields.

Perkins Loans

The 1991 budget does not request new Federal capital for the Perkins Loan program, since these loans provide substantial and unnecessary Federal interest subsidies. However, institutions may continue to make Perkins Loans from their revolving funds. In 1991-92, these funds would provide an estimated $744 million in new loans averaging $1,070, to about 695,000 student borrowers. No new funds are requested for Perkins Loan cancellation payments in fiscal year 1991. This request does not represent a policy shift, but reflects a temporary funding surplus, because recent annual reimbursement requests for institutions have been lower than expected. Appropriations will again be required in fiscal year 1992 and beyond for institutional reimbursements for certain loan cancellations.

State Student Incentive Grants

No funding for the State Student Incentive Grants program is requested for fiscal year 1991. The program goal of stimulating all States to provide need-based grants to postsecondary students has been accomplished. All States now have grant programs, and most States considerably overmatch the Federal contribution. For example, of the 42 States that overmatched Federal funds in 1988-89, almost all provided at least 75 percent more need-based student grant aid than was required to match Federal funds. State expenditures have continued to expand even as Federal SSIG funding has declined or remained level. This expansion rate (6 to 13 percent per year in recent years) suggests a considerable commitment at the State level and indicates that Federal funds are no longer necessary to encourage States to provide need-based student financial assistance.

Guaranteed Student Loans

This year we are requesting an appropriation of $3.368 billion to meet the costs of the Guaranteed Student Loan account. This request includes $260.4 million to finance obligations incurred in 1990 under contract authority.

We believe Guaranteed Student Loans continue to be an effective mechanism for financing postsecondary education. More than 4 million students and their parents will receive over $11 billion through the Stafford Student Loan, PLUS and Supplemental Loans for Students (SLS) programs in fiscal year 1991. Subsidies to lenders for interest and special allowance costs, after taking into account the receipt of student loan origination fees, will be approximately $1.7 billion.

Compared to the late 1970s and early 1980s, interest and special allowance costs have been restrained due to declining interest rates, while the costs of defaults have increased substantially. The gross default rate for all Guaranteed Student Loans is expected to increase from 14.2 percent in fiscal year 1989 to 15.4 percent in fiscal year 1991. Of the $3.108 billion we are requesting for the payment of obligations in fiscal year 1991, almost two-thirds, $2.021 billion, will be needed to pay for loans that have gone into default.

The Department has taken a number of actions to improve collections on defaulted loans. In fiscal year 1989 we received $569 million in collections, from guarantee agencies and through our own collection efforts. This amount is $74 million more than in fiscal year 1988 and $88 million more than in fiscal year 1987. We have taken numerous steps to make the collection apparatus more efficient and cost effective and project that by 1991, our collections will increase to $729 million. Improved practices by some guarantee agencies also have proven to be successful. However, increased efforts to collect on defaulted loans will not, by themselves, solve the default problem. We must continue to take direct action to prevent defaults. These increasing default costs undermine the public confidence in the program. Consequently, we are proposing additional modifications to the program designed to reduce program cost and abuse.

As partners with the Department, guarantee agencies should share some of the risk associated with loan programs. Therefore, we are proposing to revise the current "trigger system" formula, which provides for a reduction of reinsurance payments to a guarantee agency dependent upon default experience in the agency's State, in order to stimulate greater collection diligence by guarantee agencies and to reduce the Federal Government's reimbursement costs. The Federal reinsurance of default claims paid by guarantee agencies would be changed to a flat 90 percent rate each year in place of the current 100/90/80 percent sliding scale. This would also be an incentive for guarantee agencies to enforce lender due diligence requirements. Also, the current two-tier reinsurance premium paid by guarantors to the Department would be changed to one-half of one percent of all new loans.

The 1991 budget proposes to delay disbursement of loans to first-time borrowers for 30 days from the student's first day of classes. This would help reduce the inordinately high rates of default by students who withdraw during the first few weeks of classes. We are proposing to require lenders to offer optional graduated repayment schedules to all Stafford and SLS borrowers. Smaller payment amounts early in the repayment period--as little as accrued interest only in the first year--enable borrowers to establish disciplined repayment habits that void later defaults. We also propose to authorize guarantee agencies to garnish defaulter's wages, up to 10 percent of disposable pay, after due process. Wage garnishment is particularly appropriate in this program since deferments are available to unemployment borrowers.

Higher Education and Postsecondary Facilities

Thank you for the opportunity to present the fiscal year 1991 budget request for the Higher Education and the postsecondary facilities accounts which totals $671.1 million. This request is $12.4 million more than was appropriated for fiscal year 1990. The request for fiscal year 1991 by account is $657.7 million for Higher Education, and $8.4 million in appropriations and $5 million in new borrowing authority in College Housing and Academic Facilities Loans. No funds are requested for Higher Education Facilities Loans and College Housing Loans. The request also includes a 1990 supplemental to transfer $5 million from Title III, Part C Endowment Grants to HBCU Endowment Grants.

Our fiscal year 1991 budget request reflects the administration's commitment to meeting the postsecondary education aspirations of poor and disadvantaged individuals. To meet this commitment, we propose to increase significantly Federal support for programs that promote educational opportunities for disadvantaged individuals. Specifically, we propose to target funds to those activities that assist historically black colleges and universities in their mission of serving disadvantaged and minority students and that provide support services and financial assistance for these students at both the undergraduate and graduate levels.

In addition, we propose significant funding to stimulate excellence and quality in postsecondary education, to meet mandatory interest subsidy costs of construction loan commitments made in prior years, and to provide limited new loan capital to meet critical construction needs.

The Higher Education account has historically funded a number of small programs which are overly narrow in scope, have already demonstrated the effectiveness of a particular educational approach, or which duplicate other programs. We have proposed to phase out a number of these programs over the next several years. Other programs have been proposed for elimination in fiscal year 1991.

Aid for Institutions

Our fiscal year 1991 request includes $214.9 million for Title III of the Higher Education Act, which provides support for institutional development and endowment building. These programs help institutions that enroll substantial numbers of disadvantaged individuals. Consistent with the initiatives President Bush proposed in the "Educational Excellence Act of 1989," the 1991 request contains an important new initiative setting aside $15 million for Part C endowment grants for historically black colleges and universities (HBCUs). In addition, we are requesting a 1990 supplemental to transfer $5 million from Part C Endowment Grants to be HBCU Endowment Grants.

From their inception, the programs authorized under Title III have played a key role in assisting the Nation's historically black colleges and universities. These institutions were the primary source of postsecondary education for blacks prior to the Supreme Court's desegregation ruling, and they continue to play an important role in providing access to educational opportunities for students from socio-economically disadvantaged backgrounds. Because of student preference, location, low tuition and institutional mission, HBCUs continue to enroll a disproportionate number of minority and low-income students. These institutions enroll one in five blacks attending college today and award more than 30 percent of all bachelor's degrees to blacks. In recognition of the critical role that these institutions play in our Nation's system of higher education, we are requesting $110.4 million for HBCUs under Parts B and C of Title III. The request includes $83.9 million under the Part B formula grant programs, $11.4 million for the five historically black graduate institutions and $15 million for endowment grants to HBCUs.

The budget request for Title III also includes $86.6 million, an increase of $3.7 million, for new and non-competing continuation grants under the Strengthening Institutions program--Part A. The institutions served by this program, like HBCUs, provide access to higher education for many low-income and minority students. Federal funds are used to help participating institutions enhance institutional effectiveness by stabilizing their management and fiscal operations, developing and expanding their academic programs and faculty, and by providing student services.

Also requested is $17.9 million for the general endowment grant program. This request would enable institutions participating in the other Title III programs to build endowments so that they can become financially independent and no longer need Federal assistance under Title III to operate.

Closely related to the Title III program is the Minority Science Improvement program (MSIP) for which we request $5.6 million for fiscal year 1991, an increase of $217,000, or 4 percent, over the 1990 appropriation. The program provides grant assistance to enhance the capacity of minority institutions to develop and maintain quality science education programs, and to increase the flow of underrepresented minorities into the fields of science, math, and engineering.

Aid to Students

The special Programs for the Disadvantaged, commonly referred to as the TRIO programs, provide services to promote access to and retention in postsecondary education for disadvantaged persons. Our request for these programs in fiscal year 1991 is $269.7 million, which is an increase of $28 million, or 11.5 percent, over the 1990 appropriation. We are requesting support for all six of the currently funded programs under the TRIO authority--Student Support Services, Upward Bound, Talent Search, Education Opportunity Centers (EOCs), Ronald McNair Post-baccalaureate Achievement program, and Staff Training. These programs complement the financial assistance available to disadvantaged students by providing services to identify, motivate, and assist them in developing the necessary skills to complete high school, and enter and complete postsecondary and graduate education.

Our TRIO request also include $1 million to complete evaluations of the two largest programs: Upward Bound and Student Support Services. These evaluations will ensure that Federal funds are used effectively and assist as many students as possible.

We are requesting $2.96 million for the School, College and University Partnerships program which encourages partnerships between institutions of higher education and secondary schools serving low-income students and supports projects that improve the academic skills of students.

Funds are also sought for Student Literacy Corps. This program, first funded in fiscal year 1989, is intended to promote the development of literacy corps programs at institutions of higher education. Under this program, institutions receive up to $50,000 to pay administrative costs and stipends for student coordinators. Participating undergraduate students receive academic credit for courses which require that they tutor a minimum of six hours per week at public community agencies serving educationally or economically disadvantaged students. Our request for this program is $5 million, the same as provided in fiscal year 1990.

Support is sought for a number of programs to encourage graduate and professional study, particularly among minority and disadvantaged students. These programs include Patricia Roberts Harris Graduate Fellowships, Minority Participation in Graduate Education, Graduate Assistance in Areas of National Need, and Legal Training for the Disadvantaged. These four programs, for which a total of $51.9 million is requested, help enable low-income and underrepresented college students pursue graduate or professional study by providing support services and targeted financial assistance. This is $14.1 million more than was provided for these programs in fiscal year 1990, an increase of 37 percent. Much of the requested increase, $9.7 million, is for Graduate Assistance in Areas of National Need, which promotes graduate study for students of superior ability who are currently studying in the areas of chemistry, engineering, mathematics and physics. We are also seeking support for three programs for gifted high school students seeking access to postsecondary education. The first of these programs, for which $5 million is requested, is the National Science Scholars program. This program would encourage achievement in the sciences by providing scholarships to graduating high school students who have excelled in the sciences, mathematics, and engineering, and who will continue their undergraduate studies in these disciplines. This program was first proposed by President Bush in February 1989 and was later incorporated into the "Educational Excellence Act" transmitted to Congress in April 1989.

We are also requesting funds for the Robert C. Byrd Honors Scholarships and the Paul Douglas Teacher Scholarships programs. These programs are designed to recognize high school students who have demonstrated outstanding academic achievement and show promise of continued academic success. They provide financial assistance to encourage these students to attend college. In addition, Paul Douglas Teacher Scholarships encourage high school students to pursue teaching careers in elementary and secondary education. We are requesting $23.5 million for these programs for fiscal year 1991, the same as provided in fiscal year 1990.

Strengthening Quality of Postsecondary Education

We believe that the Federal Government can play a key leadership role in improving the quality of offerings at institutions of higher education. To support this role, we propose to fund two programs--the Fund for the Improvement of Postsecondary Education and International Education.

For the Fund for the Improvement of Postsecondary Education, a total of $11.7 million is requested, which is the same as the fiscal year 1990 appropriation. This funding has proven very beneficial in stimulating improvements in the quality of higher education without intruding on institutional prerogatives.

Reflecting the administration's desire to enhance awareness of the trends toward democracy, dominant in Eastern Europe but prevalent world wide, we are continuing our support of the International Education programs. The International Education programs provide for a number of different activities which strive to improve the quality of foreign language and area studies instruction in schools and colleges in the United States. In addition, these programs help fulfill significant trade, diplomatic, and security needs of the United States and foster cultural understanding, by strengthening and broadening scholarly expertise in foreign language, area studies, and international issues. For these programs, we are requesting $39.8 million for fiscal year 1991, the same as provided in fiscal year 1990.

Academic Facilities

In addition to the program discussed above, we are requesting support for two facilities programs: Interest Subsidy Grants--in the Higher Education account and College Housing and Academic Facilities Loans--in a separate account. Under the Interest Subsidy Grants program, the Federal Government entered into agreements with institutions of higher education to help them construct academic facilities. These commitments were made between 1970 and 1973, and obligate the Department to pay the difference between 3 percent and the commercial lending rate at the time the loan commitments were made. Our request for this program is $20.9 million.

For the College Housing and Academic Facilities Loans account, were are requesting $5 million in borrowing authority for new academic facilities loans and $8.4 million in appropriations to pay interest costs on loans made in prior years. Our proposal to support new loans in 1991 begins the phase-out of this low priority activity. Schools themselves will also gain better access to private capital for construction as the new College Construction Loan Insurance Association expands its operations. An appropriation of $8.4 million is needed to pay interest to the Department of Treasury on prior year loans, since the amount of interest paid by borrowers is less than the amount the Department must pay Treasury for capital borrowed to finance those loans.

No funds are currently needed for either the College Housing Loan or Higher Education Facilities Loan programs.

Other Higher Education Programs

The 1991 request proposes elimination of several programs in the Higher Education account. These programs have either fulfilled their original purpose, provide services available from other programs, or are fundamentally not a Federal responsibility. These programs are very low priority and should be eliminated to help reduce the Federal deficit and to focus Federal expenditures on more critical areas.

The Cooperative Education and Law School Clinical Experience programs have fulfilled their original purposes. These programs have demonstrated the soundness of cooperative education and clinical legal education. Furthermore, the effectiveness of these educational methodologies has been well documented, many institutions provide such services without Federal funding, and the institutions would continue these programs without Federal support.

We propose to phase out two graduate education programs beginning in fiscal year 1991. These programs are the Jacob K. Javits Fellowship and the Patricia Roberts Harris Public Service Fellowships programs. Requests for both programs total $6.6 million in fiscal year 1991 to cover the costs for continuing fellows, $4.5 million less than in fiscal year 1990. These two programs duplicate a number of Federal and non-Federal graduate programs.

The Veterans' Education Outreach program has outlived its original purpose, which was to address the special educational needs of large numbers of returning Vietnam veterans. The few veterans now enrolled in institutions will find the services which they require already available through general counseling and support service programs. For this reason, no funds are requested for this program in fiscal year 1991.

Finally, no funds are requested for Innovative Community Services, Assistance to Guam, and the Margaret Chase Smith Library Center. These are all non-essential and, therefore, low priority. Moreover, these activities are more properly the responsibility of colleges and universities, State and local governments, and private sector users and beneficiaries of higher education services.

Again, thank you for the opportunity to appear before you today in support of the budget request for the Higher Education and postsecondary facilities accounts. My colleagues and I will be happy to respond to any questions you may have.

STATEMENT OF CHRISTOPHER T. CROSS

Research, Statistics, and Improvement of Practice

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you today to discuss the 1991 budget for research and statistics. This is an exciting time for education. The President's Education Summit with Governors has resulted in national goals in education and is generating tremendous momentum toward improving education. As the Joint Statement issued at the conclusion of the Summit indicates, there is an important role for the Federal Government in providing research and development for programs that work, good information on the real performance of students, schools, and States, and assistance in replicating successful State and local initiatives all across the United States.

Toward that end, our request of $174.7 million for research and statistics would enable us to make a significant contribution to the improvement of American education. However, before I provide more details about how these funds would help improve America's educational performance, let me set the stage with a brief explanation of why we are requesting an increase of almost $80 million. In simplest terms, it addresses a disparity between supply and demand. The education information coming out of the Federal education R&D system is simply not satisfying the demand for it.

One reason is inadequate support. Of the $353 billion we are spending as a Nation on education this year, only about .04 percent goes to education R&D. Compare that to American business, which annually invests some 2 percent of sales into R&D. Xerox, according to Chairman David Kearns, plows between 5 and 7 percent of yearly revenues into R&D. "No single feature of the education system is more shocking to business leaders," says Kearns, "than low levels of education research spending." Or compare spending on education research with spending on medical research. The Nation devotes about 2 percent of total health care spending to medical research, more than 50 times, in terms of share of total expenditures, our spending on education research.

Since 1973, the decline in funding for education R&D supported by the Office of Educational Research and Improvement and its predecessor agency, the National Institute of Education, has been dramatic. Our appropriations for R&D have declined to only 41 percent of the fiscal year 1973 level while all spending in the United States for education has climbed to over 400 percent of the 1973 level. The attached chart graphically depicts the marked decline of education R&D funding contrasted with the steady growth of overall spending in education. During the 1980s, while Federal support for education R&D declined--by 33 percent (in constant dollars) between 1980 and 1987, according to the General Accounting Office--education reform activity soared to a level unprecedented at any time in this Nation's history. Thus, while our opportunity to learn from educational experiments rose, our capacity to learn from those changes fell.

Also during the 1980s, there was a tremendous increase in both the perceived usefulness of education R&D and in the demand for more of it. For instance, in the Governors' 1986 report, Time for Results, Governor Clinton wrote that, "To restructure schools, we must use what we know from research about effective schools and effective leadership." Schools have indeed been using such research. GAO reports that more than 40 percent of the Nation's school districts have implemented some kind of effective schools program.

Other kinds of education research also have informed important policy decisions. California's Superintendent of Public Instruction, Bill Honig, led the revision of the State's new guidelines for selecting reading textbooks, guidelines that have received wide praise, guidelines that were, says Honig, "built...around the [reading] research." Honig is now using education research to alter student assessment fundamentally. Today, more than ever, policymakers consult and use education R&D as a basis for decisions.

Still, a common complaint is that R&D has made little difference at the classroom level. While it is true that, in the past, R&D has not made nearly enough of an impact on student and teacher performance, developments in recent years suggest that this is changing. Four of the Nation's largest school districts are returning decisionmaking authority to the school site; educators from California to Maine are scouring research and using its findings to "restructure" their schools; and nearly a dozen States are making or considering major changes in the ways they assess learning. However, a recent GAO report of the effects of education reform indicates that some districts improved, while others did not. Research into why and how reforms work is desperately needed. Thus, it is hardly surprising that calls for increases in education R&D are heard from virtually all quarters. Those who have called for such increases include leaders of both major teacher unions, Governors and legislators, CEOs, college deans, scholars, journalists, various national councils and commissions, including the Council on Competitiveness and the Commission on Workforce Quality and Labor Market Efficiency, The New Republic --the list goes on.

The growth in demand for information from education R&D has accelerated to a feverish pace in the months since President Bush and the Governors set in motion a process for establishing national education goals. Those goals require various yardsticks for measuring progress toward them, yardsticks that are currently only partially in place. Mr. Chairman, the capacity of the current education R&D system to supply research findings and statistical data is nowhere near what the public wants or what the Nation requires if we are going to advance toward the new goals. That is why we are seeking a major increase in Federal support of education R&D. As the President and the Governors reaffirmed in Charlottesville, supporting research and development is a major component of the Federal role in education. We are anxious to carry out our responsibility.

Our 1991 plan sets forth the first step of a multi-year strategy for addressing the disparity between the supply of information coming out of the Federal education R&D system and the demand for it, and refocusing American education on performance and results. By providing such focus, through R&D, the Federal Government can encourage and enable States and communities across the country to discover what works to strengthen the educational performance of youngsters and adults. Our request is one that I believe has the bipartisan support of Governors, chief State school officers, State legislators, education leaders, business leaders, and others dedicated to improving American education. Let me outline it in four categories: statistics, assessment, research, and initiatives of the President.

Statistics

Our $41.5 million request for Statistics, an 83 percent increase over the 1990 level, would permit us to continue strengthening the Nation's answers to urgent questions such as: Who drops out of school and why? What are the characteristics of the U.S. teacher workforce? What are the various policies and practices in schools? What courses do students take? How many postsecondary degrees are being earned in science, engineering, and other critical disciplines? In addition, this request would support efforts to assist States in improving the comprehensiveness, comparability, and timeliness of State-level data--an improvement upon which the quality of data at the national level depends. Also, the budget would continue extension of the Nation's education database into important areas where, today, scant, if any, data exist--early childhood education, international comparisons, adult out-of-school education, and other areas.

While the National Assessment of Educational Progress (NAEP) is the best available measure for gauging the Nation's progress toward performance goals in education, NAEP alone is not enough. Additional "pictures" of America's education performance are needed. For example, we intend to support design work and field testing for the first comprehensive adult literacy study in 15 years and the administration of two international studies of students and schooling, one of reading literacy across 37 countries and one of mathematics, science, and geography achievement across 21 nations.

Assessment

Our $18.9 million request for Assessment, which is a $1.8 million increase over the 1990 level, would support our ongoing contract for conduct of the 1990 and 1992 cycles of the National Assessment of Educational Progress, which as you know include the collection of State representative data for the first time. It would also support costs of the National Assessment Governing Board and the statutorily required validation and evaluation studies. In 1991, we hope to work with the Governing Board and other groups to begin to explore the feasibility of expanded and regular State testing of students in more subjects and at more grade levels, and toward broadening NAEP to measure student competence in thinking and problem solving. These improvements are vital to building a baseline that Americans can use to monitor progress toward national goals and to make mid-course corrections as we pursue those goals.

Research

We are seeking a 10 percent increase over the 1990 appropriation for Research. Of the $61.3 million we are requesting, a major portion would support the national R&D centers, regional laboratories, and ERIC. Seven currently funded national R&D centers will continue in 1991. Two major competitions will be announced very soon, one to establish 19 new national R&D centers, the other to award contracts for 10 regional education laboratories, including one devoted solely to serving the Pacific Basin. These new awards will begin in 1991. As in the past, the regional labs will carry out rural education activities. While plans are to continue research to improve the teaching and learning of math, science, and writing, new issues will also be addressed by national R&D centers, issues that include adult literacy; education in the inner cities; families, communities and young children's learning; and organization and restructuring of schools. We are working with other Federal agencies, including the Departments of Labor and Health and Human Services and the National Endowment for the Arts, to arrange our joint support of some of the centers addressing new issues.

Another of our priorities in 1991 is to support the development of alternative approaches for assessing student learning, approaches more valid and useful than today's standardized tests, approaches that States, local school systems, and teachers may adapt and use to measure the thinking, problem solving, and other "higher order" competencies universally desired in American students, workers, and citizens. In 1991, we also hope to sponsor investigations, conferences, and publications that help people at the State and local level overcome chronic roadblocks to student learning. How can parent involvement be increased, for instance, particularly among hard-to-reach parents? What characteristics and conditions are essential to the effectiveness of teachers, and how can those be developed? What are the obstacles to better performance in reading, writing, mathematics, science, history, and other core disciplines? These are a few of the questions we will address.

Presidential Initiatives

We also are seeking funding for four specific initiatives of the President, each of which responds to a major educational challenge. A $25 million Principal Training initiative would improve the preparation of school principals by using excellent principals to train and mentor prospective ones. Mr. Chairman, as educational decisions continue to be shifted out of central offices and into the individual schools themselves, and as education systems increasingly seek to involve teachers in making those decisions, new and creative leadership will be needed in schools. Today's principals have not typically been trained to provide such leadership. Because principals are in a unique position to improve the performance of schools, we must provide outstanding educational leadership training.

The $5 million Dropout Prevention initiative would be used to establish a national center and to conduct both long- and short-term research that enhances our understanding of how to increase student learning and to encourage students to stay in school and earn diplomas. These efforts would inform and build upon various other dropout prevention efforts currently underway, with the ultimate aim being to identify conditions essential to success in educating and keeping at-risk students in school. They would be designed to yield results that teachers, guidance counselors, principals, and others could use to make schools engaging places where students are motivated to learn.

The $3 million Evaluation of Reform initiative would support up to a dozen evaluations of various reforms with which States and school districts have experimented these past few years. Aimed to identify elements critical to improving student learning, these evaluations would illuminate which reform approaches are capable of producing what particular changes.

We are requesting $20 million for an Education Summit Follow-Up initiative, which would permit us to strengthen the usefulness of the Nation's education database for tracking progress toward the national education goals. This will require that a number of gaps in data and research be closed. For instance, although a goal has been set with regard to school readiness--a worthy and, I believe, necessary goal--at this time, no adequate measures of school readiness exist. Nor do we have an understanding of the full range of activities by which parents can promote it. With regard to other goals, the Nation needs more precise data on minority dropouts and better procedures for ensuring the technical quality of international studies. We need a clearer sense of which kinds of business involvement actually promote student learning.

Dissemination

Mr. Chairman, let me mention an activity that cuts across our activities in statistics, assessment, research, and the President's initiatives: dissemination. Our 1991 plan will generate more and better information than ever about how to improve education. However, the real value of that information will not be realized unless we vastly improve our capacity to deliver such information and assistance to teachers, administrators, parents, business people, and others who can use it. Our efforts to disseminate information must involve more than merely supplying information. They must include the provision of technical assistance and whatever else it takes to see that research makes a measurable impact on student and adult learning.

For these reasons, we are beginning development of a national strategy for dissemination that will assure access and availability of reliable information about education as well as assistance to diverse groups in making good use of that information. Once in place, this strategy will employ new approaches, and approaches that we have not been able to undertake on an adequate scale. It will include exhibits, demonstrations, and workshops across the country for policymakers and their staffs. It will include campaigns to reach practitioners, parents, community leaders, representatives of the private sector, and others--campaigns to share information about the latest research and how it can be used to reduce dropout rates, restructure schools, improve science teaching and learning, and address a host of other issues.

One of our 19 new national R&D centers will support our work. Its mission will be to furnish national leadership in making education R&D "user friendly" and to determine how R&D findings can be presented in formats or ways that increase their use and that actually lead to better educational decisions and behaviors on the part of teachers, students, parents, policymakers, and other potential beneficiaries of education R&D.

Our dissemination initiative will strengthen our own activities, and it will also involve other offices of the Department and other

Federal agencies as well--the Department of Energy, the Department of Labor, the National Science Foundation, and others. Our goal is a Federal-wide effort to share information to improve teaching and learning in America. My aim is to open a number of information-and-assistance "channels" to serve parents, principals, teachers, business people, community leaders, and other decisionmakers in America's statehouses, schoolhouses, and homes.

We also intend to explore the uses of advanced information technologies in each of the four areas I have outlined today. Technology will be an important tool for delivering education information to teachers, parents, principals, and others directly responsible for improving student learning. For instance, Al Shanker recently proposed a national database that might "list the materials and the technology available to help kids learn about the Declaration of Independence or interest rates or how thermometers work" or any other topic. "National databases are available in almost every other field of endeavor," he pointed out, "why not one for teachers?"

Mr. Chairman, decisionmakers across the country want and need more information on education than ever before. Our request will help bring the supply in line with the demand. It will help States and communities advance toward the Nation's education goals. And it will help us as a Nation, as President Bush put it, "make an American education the best in the world."

My colleagues and I will be happy to respond to any questions you may have.

Libraries

I appreciate the opportunity to discuss with you the Department of Education's 1991 budget request for library programs.

Rationale

Our budget for library programs requests $39,062,000 to fund only those programs that are focused and well-defined. We maintain that one of the main goals of the Library Services and Construction Act, access to library services, has been achieved. However, we believe there is still a Federal role in library funding. We have shown as much in our efforts to change the library legislation to make it more focused and the Federal dollar better targeted. It is appropriate for the Federal library dollar to address critical national needs such as support for literacy. Equally, it is appropriate for the Federal dollar to provide support for activities such as electronic networking that cross political and geographical boundaries. And we believe Federal support is appropriate for high-cost activities that could not be borne by individual libraries such as research and technological improvements in cataloging, information storage and retrieval, and delivery of services. It is not a judicious use of the Federal dollar to support programs that are broad, unfocused, ill-defined, and untargeted.

Library Services and Construction Act

The Department has maintained for the past several years that the original intent of the Library Services and Construction Act, access to library services, has been attained and that the Federal role has been fulfilled. Therefore, we are not seeking funds for Title I, Public Library Services, and Title II, Public Library Construction.

Since 1956 when the Public Library Services program began, access to libraries has increased from 56 percent of the population to 96 percent. And most States have assumed the leadership role in encouraging public library services; nearly 96 percent of the total expenditures for public libraries comes from State and local governments, with additional support from the private sector.

The construction portion of the legislation has provided more than a quarter billion dollars for over 3,000 library building and renovation projects. But the Federal Government simply cannot continue to support this program in the 1990s. The State and local governments can and should assume the fiscal responsibility for building their libraries.

The funding needs in today's libraries have evolved from the most rudimentary needs of buildings, books, and shelving, to the more sophisticated needs of an increasingly technological society. Today's information needs are more sophisticated and more complex, as are the media now used to store, manipulate, and retrieve that information. Beyond the traditional book or the encyclopedia are such things as computer information networks and the videodisk; and the search for materials no longer must rely on the card catalog, but instead is expedited through the use of machine-readable databases of bibliographic holdings.

We are requesting $20.4 million, an increase of 4.2 percent over the 1990 level, for Title III, Interlibrary Cooperation, to support the development of new interstate and intrastate library networks and the expansion of existing ones; the acquisition of computer hardware and software and telecommunications equipment to make resource sharing faster and less expensive; the training of library personnel in the use of new technologies; and the conversion of library holdings to databases to facilitate sharing and broaden availability of all types of materials.

We are also requesting $8.4 million for expansion of Library Literacy Programs, an increase of $3 million. Literacy is a critical national problem and it will continue to be for some time to come. We hope that the concept of conducting literacy training in local public libraries will become more widespread through the efforts of this program. The increase for this program indicates the high priority the Department gives to combating illiteracy.

Higher Education Act

We are seeking level funding for the programs supported under Title II of the Higher Education Act. The request includes nearly $1 million to support library research, the dissemination of the research findings, and the training or retraining of librarians to meet changing information needs. Support of $5.7 million will help major research libraries to preserve and share their resources. And $3.7 million will assist academic libraries with the purchase of state-of-the-art equipment to be used primarily to increase participation in national library networking to facilitate resource sharing. The authorization for the Higher Education Act expires at the end of fiscal year 1991, and we are already working on developing a reauthorization package that will reflect the appropriate Federal investment in the future.

Summary

In a time of severe budget restrictions, it is our responsibility to ensure that every Federal dollar is focused on an area of critical national need. With this goal in mind, we have requested a budget that would direct Federal monies to those activities, such as research, resource sharing, technology, and literacy, that would provide the most benefit to the larger library community, that is, to the citizens who depend on libraries to meet their information needs.

My colleagues and I will be happy to respond to any questions you may have.

PRIORITY ON RESEARCH

Senator HARKIN. Thank you, Mr. Kolb, for your statement highlighting the amounts of money requested.

Mr. Cross, I believe this question should be directed to you. For the second year in a row, one of the largest percentage increases in your budget is for educational research. I was going to ask the Secretary about that this morning. Given all the unmet needs that have been identified as contributing to the education deficit in the country, why is so much being spent on research? Why is that the highest priority?

Mr. CROSS. Mr. Chairman, in looking at that figure, one has to keep in mind the base from which we are moving. The amount of the increase in research and statistics is less than one-quarter of the total amount of the increase for chapter 1.

The base in education research and statistics has eroded over the last 15 or 20 years. Today, at the Federal level we are spending only 41 percent as much as we were spending in education research and statistics in 1973. What we are trying to do here is to make up some of the loss that has come over that period of time.

Senator HARKIN. You are going from $95 million to $174 million?

Mr. CROSS. That's right. That includes some demonstration programs, like the principals program.

Senator HARKIN. I see. There are a number of new programs including the Principal Training Program, $25 million; Education Summit Follow-Up Program, $20 million; Dropout Prevention Program, $5 million; Evaluation of Reform Program, $3 million.

Mr. CROSS. That's right. Research encompasses, in the way that this budget category is put together, many, many different activities. And, in fact, the requested increase in what you might think of as pure research is about 10 percent. The rest of it is for activities like data collection, innovation programs, demonstration programs, and things of that sort.

PRINCIPAL TRAINING

Senator HARKIN. Well, the Principal Training Program that you are proposing to fund at $25 million seems similar to the Leadership and Educational Administration Program which we have been funding for a number of years. Yet, you claim that you have the authority to run this program under the general authorization for educational research.

Are there any training or grant activities in the Department that are not considered under your general authority in the General Educational Provisions Act?

Mr. CROSS. Oh, yes, I'm sure. This is section 405 you are referring to.

Senator HARKIN. Right.

Mr. CROSS. That authority, we believe, does give us the ability to carry out demonstration programs like this. The LEAD program is aimed at administrators, principals, superintendents, and curriculum directors. It covers a wide variety of people. But as Mr. Kolb mentioned earlier this afternoon, the literature shows that the principal is the key to whether or not a school is going to be effective. You have to have a strong principal, one who is a strong leader.

And the statistics show that over the next 10 years, somewhere between 45 and 50 percent of the current principals in the country will be replaced. So, there will be an enormous gap that will have to be filled. And if we put some resources into preparing better leaders to fill those positions, we will have done a great deal when it comes to getting better schooling.

The principal training request in the budget is in fact targeted at such things as mentorship, residential training, and concentrating specifically on the role of the principal as the leader of the school.

Senator HARKIN. If you have all this authority, why did you ask Congress to reauthorize the dropout demonstration program. If you already had the authority under 405, why ask us to reauthorize it?

Mr. CROSS. The dropout authority that is currently being reauthorized by Congress is not administered in OERI. It is in the Office of Elementary and Secondary Education. The research activities, for which we are asking $5 million, are authorized under GEPA section 405. We are not asking for reauthorization for that.

INCREASE FOR STATISTICS

Senator HARKIN. Looking at statistics, section 406. In 1989 you had $21,736,000; in 1990, $22,655,000; and in 1991, you are requesting $41.5 million. Why this huge jump for statistics?

Mr. CROSS. The reason, Mr. Chairman, is that we have put in place over the last several years the beginning stages of several major data collection efforts that are now coming into full field work. For example, there is a survey on adult literacy, which is in the pilot stage right now. Actually it is in the definition stage, which will require a few hundred thousand dollars this year. Next year, when it goes into the full field survey, it will require $3.5 million. And we have several other surveys that are like that.

The census is coming up, as you know, in another 40 days or so. We have another project that will then take the census data and translate it to the local school district level so that we can use it as the basis for allocating program moneys like chapter 1 grants. We work with the Census Bureau in doing this work. It is obviously an activity that does not occur every year.

Senator HARKIN. So, we could expect that to drop down in the next year.

Mr. CROSS. It will drop somewhat, but it is not going to drop a lot because there are several other ongoing activities that have large outyear costs. And the goals which the President and the Governors have established call for enhanced data collection activities. I think we are going to see the need for some increases associated with that activity.

But the data that we are collecting represent a rich vein of information that really informs a tremendous amount of what we need to do in this country not only in running Federal programs, but also in what school districts and States need to do in areas like fine tuning their teacher recruitment efforts and looking at how they deal with dropouts and other problems.

Senator HARKIN. Maybe I don't understand. It just seems to me that a one-time boost in funding to get the data collection system in place is fine, but after collecting the statistics you do not require that kind of continual funding. You are talking about buying the computers and getting the systems in place. Then after that, it is a matter of processing it.

Mr. CROSS. No; in many cases it is the field work. It is the field work that really takes the time. Many of these surveys now underway at the direction of Congress, such as the National Postsecondary Student Aid Survey, are conducted on 2-year cycles. So, every second year you are hit with big field survey costs because in survey work the biggest costs are going into the field and collecting the data.

CUT IN LIBRARY FUNDING

Senator HARKIN. Libraries. I have to tell you the whole cut in libraries disturbs me greatly. You go from $136.6 million down to $39 million. Why don't you just zero it out? Why don't you just zero the whole thing out?

Mr. CROSS. Well, in fact, we think that some——

Senator HARKIN. You think it really is zeroed out with this I suppose.

Mr. CROSS. No; we don't. In fact, we think that some of the library programs are very effective.

You recall that a couple of years ago the Department submitted a reauthorization proposal for the Library Services and Construction Act. Those proposals were not adopted in any significant way. The reauthorization bill is in conference right now. The reforms which we tried to make in that program, including targeting it so it dealt more with the handicapped, low income, and the elderly, were rejected. So, today only about 25 percent of the money under the library services title I program goes to targeted populations. We think the program should be better aimed at those targeted populations. That is the reason we do not choose to request funds under title I.

Senator HARKIN. So, what you want to do is change these programs and do more for targeted populations.

Mr. CROSS. That's right. And our legislative package I think is evidence of that.

Senator HARKIN. Well, I have no problem with going after targeted populations. It seems to me there should be some base support from the Federal Government for libraries. I see you have zeroed out your State grants from $80 million down to nothing.

Mr. CROSS. For title I, that's right.

Mr. KOLB. The rationale for that, Mr. Chairman, among others, is that it has been around since 1956. That is 34 years of Federal funding for services and construction programs in libraries. And I think it is safe to say that we have succeeded in meeting the original intent of the legislation, and that a Federal commitment is no longer needed to accomplish what that program was intended to do. So, what we have tried to do, frankly, in looking at priorities in the budget, is to redirect some of those funds; 34 years is a long time.

Senator HARKIN. Yes; but I just do not think every library has been built that should be built. Populations shift.

Mr. KOLB. Well, you can always build more libraries. But given the budget circumstances, we are trying to target money on needy children and on services that will enhance what we do in education. Our priorities lie elsewhere at this point.

LIBRARY CONSTRUCTION

Senator HARKIN. Well, this is something I am going to take a very close look at. It puts us in a heck of a bind when you ask for that big of a cut in library programs.

Mr. KOLB. We have proposed this before, sir.

Senator HARKIN. That is interesting. You're right. It was just pointed out to me that about the same amount of money that you cut from libraries you add to research. An interesting little switch there.

Mr. KOLB. I would point out there is no intentional correlation there whatsoever.

Senator HARKIN. I'm sorry. I don't mean to say that. I am just saying that it is there.

Mr. KOLB. If you look at our 208 programs and recognize that dollars can be moved between offices, you could make that point elsewhere in our budget.

Senator HARKIN. First of all, let me just state publicly for the record my strong support for a Federal role in public libraries. I know we have had the construction program since 1956. Well, I don't care. Populations move and shift. We have a growing population. We have new needs.

I have communities that used to have summer bookmobiles that went around to rural areas. Now they do not have the money for it. It was very popular. You know, a book mobile would go out in the communities. Kids would come up and get their books. Well, now there is no money for that. Well, I think there ought to be money for that.

And library construction. Certain areas of the country are growing by leaps and bounds out there. Out where I live the population is growing by 90,000 a year. That is one-half the size of the city of Des Moines, IA, every year. Well, those people need a library.

And there is something about a library that speaks to stability and learning and a community that is just irreplaceable.

I know that you have other funding sources for libraries, State, local, private endowment funds, things like that. But there should, I think, be a Federal commitment. This represents a total backing off of any Federal commitment at all, except for a few little things here.

Mr. CROSS. Mr. Chairman, I might mention that in the last 25 years there has been no funding for title II of the Library Services and Construction Act for 11 of those 25 years. So, this is not a new issue.

Senator HARKIN. Title II what? There has been what?

Mr. CROSS. In the last 25 years, title II has been unfunded for 11 of the 25 years.

Senator HARKIN. You mean in terms of what we actually funded or what your budget request was?

Mr. CROSS. No; what you actually funded.

Senator HARKIN. That's 11 out of 22 years?

Mr. CROSS. Out of 25, 11 out of 25.

Senator HARKIN. Did that all occur at one time or was that interspersed?

Mr. CROSS. It ran from 1973 through 1982 and then again in 1984. So, it even spanned administrations. It looks like it was unfunded the last part of the Nixon and Ford administrations. During none of the Carter administration years was it ever funded, and it wasn't funded again until 1984.

Senator HARKIN. Title II.

Mr. CROSS. Title II. That's right.

Senator HARKIN. That is State grants for construction.

Mr. CROSS. That's right.

LIBRARY SERVICES

Senator HARKIN. How about library services?

Mr. CROSS. Library services have been funded each year and the level has gone up fairly regularly over that period of time.

Senator HARKIN. And that is zeroed out.

Mr. CROSS. That's right.

Senator HARKIN. Would that involve things like bookmobiles? Would that be a service?

Mr. CROSS. It can be funded under interlibrary cooperation and literacy, but it would also be appropriate under title I.

Senator HARKIN. Well, I would just like to find out about that. If you would help me out on that and let me know about, I would appreciate it.

Mr. CROSS. Sure, I will.

[The information follows:]

FUNDING FOR BOOKMOBILES

State Library Administration Agencies can use LSCA Title III funds for bookmobiles, if they are to be used for multi-type libraries. For example, if the bookmobile will serve a community college, a rural community, and an elementary school, it would qualify for support with Title III funds.

FRAUD AND ABUSE IN STUDENT LOANS

Senator **Harkin**. Mr. Haynes, OMB has recently completed a Governmentwide vulnerability review to focus on programs that were especially vulnerable to fraud and abuse. And guess which one was singled out in the Department of Education. The Student Loan Program. It is in desperate need of administrative reform. Now, again I understand that these problems go beyond the default problem we talked about earlier and address the management practices and financial controls of the Student Loan Program.

Are you aware of this OMB report, and what steps are you taking to address the situation and make sure that it is not vulnerable?

Mr. **Haynes**. Well, Senator, yes, we are aware of the OMB report. And, of course, the Secretary earlier today talked about the default initiative, which addresses many of OMB's concerns and is now in place. The Secretary's initiative has gotten the attention of the community that we are trying to target, and the response so far has been rather positive.

As a matter of fact, I am just recently back from Chicago where I was visiting one of our collection centers, and it would appear that our collections are going up. I would attribute some of the increased collections to the fact that the Secretary is out front now with the default initiative.

EXPANDING COURSES TO RECEIVE MORE STUDENT AID

Senator **Harkin**. One more area that I wanted to cover with you is the practice of course stretching where schools expand the length of their programs so their students qualify for additional student aid. One example cited by the inspector general was the training of security guards. While many States have no formal training requirements for security guards, those that do require anywhere from 4 to 64 hours of training. Yet, it is not uncommon, I understand, to find schools participating in the Student Aid Program that are training security guards from as few as 300 to as many as 700 hours.

In the area of nursing assistants, the Department of Health and Human Services requires a minimum of 75 hours of training. However, there are schools participating in the Student Aid Program training nursing assistants for more than 1,000 hours at a cost of as much as $6,500.

The inspector general made a strong recommendation that your Department establish course length standards through regulation to get at this area of fraud. What are you doing to follow up on this recommendation?

Mr. **Haynes**. Senator, one of the things that we are doing, of course, is looking closely at our regulations. We are in the midst, as you know, of developing our proposal for the reauthorization of the Higher Education Act, and one of the key issues there is who should participate in the programs and how we define eligibility. This is an eligibility issue in terms of how institutions structure their courses, whether they measure in clock hours, credit hours, or by other methods. We are, in fact, responding to that criticism. We are not there yet, but we are developing a response.

Senator **Harkin**. I do not understand what you mean about eligibility. These are eligible courses. The problem is that they are stretching them out. I do not understand what you mean that it has to do with eligibility requirements. Doesn't it have to do with your saying wait a minute, if a State only requires 64 hours of training for a security guard, the maximum you would give student aid would be for, say, 64 or 70 hours—give it a little leeway anyway—75 hours?

Mr. **Kolb**. Mr. Chairman, I think it is fair to say you are preaching to the choir here. And we couldn't agree with you more.

And you may recall, earlier today I think I used a reference to the Tax Code in terms of the complexity of some of the student aid programs that we run. They are as complex as the Tax Code, and in essence they have, I think it is fair to say, generated their own type of lawyers who are out there looking for ways to beat the system because this is one of the few areas, in terms of the Department's responsibilities, where there is a vast profit to be made off of fiddling or beating the system.

Jim Thomas, our inspector general, testified yesterday, as did others, I think, before Senator Nunn on some of the problems that face these programs. And Dr. Haynes and I are working together on a task force that will be submitting reauthorization proposals to the Secretary. This is certainly one of the things we want to deal with and just one of many things that Jim Thomas has identified.

But, in essence, I think there is some joint responsibility, to be quite candid. We administer, you all authorize and appropriate. But, in essence, what has happened over the last 20 to 25 years is the development of a cottage industry. The industry we ought to be focusing on is the provision of quality education through all of our postsecondary programs and not who can make a quick buck to stretch a course hour and get some poor, unsuspecting student who does not understand that you only need 60 hours to qualify and then force them to get a GSL to take a course that is five times as long or a Pell grant for a course 10 times as long.

We agree, and it is one of the things that we basically want to slam dunk in the reauthorization.

Senator **Harkin**. Whatever I can do to help either on the authorizing committee on which I serve or here in appropriations, if you need money directed someplace for this, please let us know what we can do on that. It really is a bad deal.

EXPANDING PELL GRANTS

Mr. Haynes, another thing that comes up a lot of times is the proposal for expanding Pell grants to students taking only one course. Given the fact that we have frozen Pell grant benefits for 3 years in a row—what is it now? The max is $2,300?

Mr. **Haynes**. Yes.

Senator **Harkin**. Why is your highest priority the expansion of these grant awards to students taking only one course?

Mr. **Haynes**. Senator, what you are talking about is part-time students.

Senator **Harkin**. Right.

Mr. **Haynes**. And, as you know, the changing face of higher education today now includes a large number of part-time students, single parents, working mothers and the like who are now showing up in institutions. They do not have the means to support their educational experience.

Senator **Harkin**. You think that most of these go to—that those who are getting the most of these Pell grants are going part time?

Mr. **Haynes**. Yes; if they are eligible and meet the needs test, yes, they can qualify for Pell grants. We are trying to provide means for them to have access to higher education.

Senator **Harkin**. Half-time students are already eligible. This is less than half-time students. Are you saying to me that these people who are less than half-time students are single parents, for example, that are trying to catch up and learn a trade perhaps, that kind of thing? Is that who these are?

Mr. **Haynes**. Not necessarily. In some cases they may be, but these may also be students who are trying to get involved in higher education and not necessarily going into trades. They are also going to traditional 4-year private and traditional 4-year public institutions. A large number of these students are now finding their way into higher education.

I am just back from the University of Illinois, Chicago Circle Campus where, for example, the chancellor told me that the average age of his students is now in excess of 27 years old, and many of them are not full-time students.

PART-TIME STUDENT ELIGIBILITY

Senator **Harkin**. But I am talking about even less-than-half-time.

Mr. **Haynes**. Yes; this includes less-than-half-time.

Senator **Harkin**. Less-than-half-time students. Let's focus on those that are only taking one course.

Mr. **Haynes**. Well, the proposed half-time student policy in 1991-92 takes into consideration the changing nature of the postsecondary enrollment picture. Less-than-half-time could be one course. It could be two courses. And, of course, based upon the data that we have collected from the National Postsecondary Aid Survey that we conducted in 1987, we estimate that less-than-half-time students will reach some 3.3 million in the 1989-90 award year, the first year in which these students are eligible. And, of course, we are estimating that 102,000 of these students will qualify for Pell grants. So, 102,000 in 1989-90 is important, and the Pell program allows those individuals an opportunity to have access to postsecondary education. I think we have to do that.

Mr. **Kolb**. I think Dr. Haynes has hit it right on the head, Senator, when he said access because, in essence, the rationale behind this is precisely that. In 1991, less-than-half-time students will cost us about $46 million. Compare that. Just to give you an example, if you raise that maximum award by another $100 from $2,300 to $2,400, that costs you about $250 million. So, what we are saying is that for $46 million, we can basically expand access to almost 170,000 students in the 1991-92 award year.

Obviously, there are problems with the Student Loan Programs that we have talked about, but by and large we think that heading in this direction, expanding access to people who may have other commitments and are not able to go even half-time is important.

Senator **Harkin**. Let me add something else. Let's see if my intuition is correct here that maybe some of these young people who are taking one course—that perhaps this is a way to get them into the system so that the next year maybe they will be half-time students.

Mr. **Kolb**. That's possible.

Mr. **Haynes**. Or possibly full time.

Senator **Harkin**. But at least it is to get them in. I hope that is correct.

LITERACY

Ms. Brand, 2 years ago the Department estimated we had between 17 million and 21 million illiterate Americans. This morning the Secretary said 27 million. Is it increasing that rapidly, or is the definition of illiterate changing?

Ms. **Brand**. Part of the problem is that we do not have a definition, Mr. Chairman, that will give you a solid number because illiteracy can be defined in a number of different ways. It can be defined based on grade reading levels: eighth grade, fourth grade. It can be defined in functional capacities: the ability to read a newspaper or to figure a tip on a bill or read a medicine label, or the ability to perform effectively on a job.

We are undertaking a major survey right now that Secretary Cross mentioned first to come up with a definition of literacy and then to find out what the extent of illiteracy is in our Nation. And that will track on the census that is done in 1990. We will hopefully have our numbers back in 1993.

We proceed anyway, assuming that if you do not read at, I would say, a 10th grade level and have good basic skills, you are not going to be a functional and productive citizen. We certainly know that there are plenty of individuals like that in the United States right now.

Senator **Harkin**. Who don't read and comprehend at the 10th grade level.

Ms. **Brand**. That is a figure that I prefer to use. We have been using eighth grade, and I think eighth grade is too low for the changing work place and increasing demands of our society. It is difficult to raise the cutoff up to a 12th grade level, because then you are almost talking about everybody in high school. But, there is some evidence that kids going through 12 years of school are not emerging with the basic skills that they need.

So, we do have a definitional problem. We hope the survey will give us some good, hard numbers.

Senator **Harkin**. The Department estimates that you are currently serving about 6 percent of those adults who are in need of literacy training, about 3 million participants now in the adult education programs funded by the Federal Government.

Ms. **Brand**. Yes.

NUMBERS SERVED UNDER ADULT EDUCATION

Senator **Harkin**. What kind of new numbers are we looking at under the budget proposal for next year?

Ms. **Brand**. With the increase from last year's appropriations, we expect that we will be able to serve about 3.3 million people, and with the increase that we are requesting in the 1991 budget, we anticipate being able to serve about 4 million adults.

VOCATIONAL EDUCATION

Senator **Harkin**. Let me talk a little bit, if I can, Ms. Brand, just about vocational education. I'm talking about the need for vocational education in terms of the next century, what is coming down 10 years from now, 15 years from now.

How do you view vocational education in terms of secondary education? Do you view vocational education as being an integral part of the secondary education program or as an addendum to the secondary education program?

Ms. **Brand**. I think vocational education has to be an integral part of secondary education programs, because I think it is critical that we graduate students from high school who are job ready. Not all high school students will go into a career as soon as they leave high school, but 50 percent of the students never go on to postsecondary education. So, you have to presume that they will go into the marketplace. They should have some type of job or world of work skills. And I think vocational education can impart those skills to the students.

If high school students go on to postsecondary education or a community college, they will have a Head Start and be trained in some technical areas and will be able to build on those skills. But, I think vocational education should be an integral part of the secondary school curriculum.

There is a lot of work going on in States and local school districts to integrate academics into vocational education because we have found that not all kids learn through theoretical approaches—a lot of kids learn with hands-on, practical methods. Vocational education has proven to be an effective way of reaching those kids and teaching them academics at the same time that they are learning a trade skill.

Senator **Harkin**. I like to hear you say it. That is what I think it ought to be, an integral part of secondary education.

But what is the Federal role in that?

Ms. **Brand**. Well, I think we need to demand excellence out of the programs. I think vocational education has gotten a bad name over the last couple of years partly because it has not moved as far forward as it possibly could. But, I think it is making tremendous strides, and I think that a lot of the reform that is occurring in schools has occurred because vocational educators are looking at ways of integrating academics into trade skills or the occupational curriculum. They are looking at alternative methods of teaching kids. They are making education relevant to the kids and that is keeping them in school.

So, I think we need to make sure that all programs are of high quality and are relevant to the student. I think that is the Federal role, to ensure that we do have excellent programs and that we provide leadership to move all programs in that direction.

VOCATIONAL EDUCATION REQUEST

Senator **Harkin**. My book shows that your are basically proposing a freeze in vocational education.

Ms. **Brand**. We did not request any additional funds right now because the vocational education bill is, as you know, being reauthorized. It appears that there will be some significant changes in the law. Based on what the House came out with and what we know about the Senate bill, we are expecting some large shifts in emphasis. And so, we are waiting to see what the reauthorization proposal will look like. Once that is signed by the President, we will come back to you.

VOCATIONAL EDUCATION TOOLS

Senator **Harkin**. Does the Federal role also involve moneys to States for upgrading the equipment, the tools, the machines, the information devices that are needed to provide these students with the latest in technology and applications and processes?

Ms. **Brand**. Our proposal for the reauthorization allowed the purchase of technology as one of the major emphases. You can imagine, though, that new technological systems are expensive and we certainly cannot cover the costs of those systems in every school district. I think we are looking at working with the private sector in developing closer linkages with companies and communities and with community colleges, so that they can share equipment with the high schools. We are hoping to get some more support from the private sector in that area.

Senator **Harkin**. I hope we can get more from the private sector. But again, looking at the States' involvement, State A, for example, might say why should they put so much money into this. They put money into buying new equipment and new technologies for vocational education. And the kids take it, and they graduate from school, and they go to State B or State C because they make more money there or the living is better, for whatever reason.

I guess I get back to my old thing about the Federal role in education. A highly mobile society, a Federal system, people go where there are jobs. And especially in this area of vocational education where I feel very strongly that in the next 10 to 15 years we are going to need a work force that is well-trained in the new technologies, the new kinds of composite materials. It is not arc welding any longer. It is working with carbon fibers. It is the new kinds of molding techniques. It is the new processes that are perhaps less labor intensive, but more technologically intensive than they have been in the past. Information services that do not require perhaps a postsecondary degree but certainly well trained people in the secondary level. If you are learning on devices that are 15 years old, you may get vocational education, but you are only prepared to work 15 years ago and not 15 years in the future.

And you are right. It is going to cost a lot of money. And my initial look at vocational education, at the secondary level—and I admit it is not an indepth look, it is only a brush stroke—indicates to me that they are working with equipment that is sorely outdated.

Ms. **Brand**. That is probably a fair statement to make as a generalization, although we have found that based on the national assessment of vocational education, when States were able to use money at their discretion, they did use it for equipment.

Senator **Harkin**. They did?

Ms. **Brand**. Yes; they did use it for equipment.

But again, equipment is so expensive. It is hard to get enough computers for everybody and the latest technology.

I think the best way to solve the dilemma is to have the schools work much more closely with the private industry and arrange partnerships or to have kids going into a facility where they can get hands-on experience working on the latest machinery, or at least see what it looks like and have some exposure to it.

I do not think every high school will ever be able to afford the latest equipment in any type of major occupational area and be able to keep up with technological changes. We have seen with computers that they are outdated within 2 or 3 years, and those are large expenses for school districts to make.

So, I think the linkage to the private sector is critical, and schools have to develop partnerships. Schools have to, with the people in the community, find out what jobs exist in the community and then train the kids for those jobs and get some linkages going so that the kids can actually be taught at the work site.

Senator **Harkin**. Again, I just think we are going to have to have some more investment in new equipment and materials especially at the secondary level, and I am not certain how we do that.

INTERNATIONAL COMPARISONS OF EDUCATION FUNDING

Mr. Kolb, I had wanted either this morning or this afternoon to go over with you some of the data regarding where we were in the world community in terms of education funding, the amount of money we spend. In terms of an intellectual exchange of an adversary.

Mr. **Kolb**. Your staff member said I should come with a market basket in each hand. It is an inside joke.

Senator **Harkin**. I did want to go over it because there are always different ways of looking at this. And I think it might be a good exercise, but we are running out of time and maybe we can do that exercise some other time.

Mr. **Kolb**. I would be delighted to.

Senator **Harkin**. Well, let me just say one thing. [Laughter.]

I can't resist.

Mr. **Kolb**. As long as I can respond. [Laughter.]

Senator **Harkin**. Go ahead and put it up. [Laughter.]

Let's talk about spending per pupil. Adjusted, the United States ranks No. 5, that was your approach. Looking at it on a per-pupil expenditure where just——

Mr. **Kolb**. Actually our approach puts us at No. 2.

Senator **Harkin**. No. 2?

Mr. **Kolb**. No. 5 if you adjust our approach to account for the so-called other category. I assume you are relying on—yes, you are relying on the Economic Policy Institute. If you use their approach and add in their so-called other category, which I think only they can explain, we would come out at No. 5. Absent that, we would be at No. 2, just behind Switzerland.

Senator **Harkin**. Well, OK.

The other one is a percent of national income on a GNP basis, which puts us down at 14. And that is what you see in the press out. When we were talking about that earlier, you made some comments about apples and oranges and moon beams and things like that.

But let me just as an observation say we can look at expenditures per pupil, adjusted for exchange rates and all that, and we are either five or we are two, but we are a heck of a lot higher than looking at it as a percent of GNP. But it seems to me—isn't there a direct correlation between your national income, your GNP, and really your educational basis?

Now, on the one hand, the Department of Defense—they are always talking about defense as a percentage of GNP has been going down. And they use it based on GNP, and as I said, that is not really valid. It is not valid because why do you need more tanks or more nuclear weapons simply because we make more washing machines and more refrigerators? You need the military for defense, but not based upon GNP.

RELATIONSHIP OF GNP TO LEVEL OF EDUCATION

I do not believe that argument holds when it comes to education. Your GNP is directly correlated to the educational level of your people. The higher the education, the better the education, the more GNP you are going to have, the higher the value of your GNP. There is a direct correlation there. And I can say that. I think I can prove that too.

In that regard then, I would say that there is a reason to look at what we spend on education in the United States and where we rank in terms of the percent of our national income or our GNP because there is that direct relationship there in terms of the goods and services that we put out and the educational level of our people.

How say you?

Mr. **Kolb**. Mike told me to restrain myself, so I will. But, I will try and take up your points.

Senator **Harkin**. He told me to restrain myself too. [Laughter.]

Mr. **Kolb**. I have made some humorous comments about what you have referred to, but we have also made some serious comments.

And I would agree with you that there is a relationship, but I am not so certain that I would agree you that it is a causal relationship. Let me give you a couple of examples.

Sweden spends a higher percentage of its gross national product on food than we do. This does not necessarily mean it is a more nourished country, or that we are necessarily starving.

The issue here really involves one's understanding of the relationship between a numerator and a denominator in a fraction. And I have used the example, in fact, in a letter that I wrote to the

Post. I said if EPI is right, then I am better off than Donald Trump, because I spend a higher percentage of my disposable income on things like food and shelter than he does.

We have not said that the Economic Policy Institute's figures are wrong. What we have said are two things. The figures are irrelevant and the methodology used is flawed. One example I think, Mr. Chairman, will highlight why the figures are irrelevant. It is the example of Minnesota and Mississippi.

Take the direct analogy of the percent of State domestic product dedicated toward education. Mississippi spends 3.9 percent. Minnesota spends 3.7 percent.

Senator HARKIN. Mississippi spends how much?

Mr. KOLB. It spends 3.9 percent.

Senator HARKIN. And Minnesota?

Mr. KOLB. It spends 3.7. But yet, Minnesota spends per student over $4,100, and Mississippi spends a little bit over one-half that amount.

What we have said is, yes, they are interesting statistics, but they do not tell you anything that is relevant in terms of comparative spending. I myself have used the percentage of gross national product in terms of comparing education expenditure in the United States with defense expenditure. As it turns out, we spend a higher percentage of our gross national product on education than we do on defense.

That analogy breaks down when you try to shift across pies, if you will, or across borders. And the Economic Policy Institute says that you can't make cross-country comparisons because of the difficulties posed by fluctuating exchange rates. And we say, no, you can because you can normalize for those fluctuations—and this gets me to my earlier reference—by using a market basket of goods and services, which permit you to make meaningful comparisons, per student comparisons, with regard to the level of spending. And when you do that, and when you factor out postsecondary spending, which is what the Economic Policy Institute does, it turns out that your kindergarten through 12 spending per student in the United States is second only to Switzerland, or if you add in the other category, fifth.

Now, my second point was that their methodology was flawed. Well, it is flawed because they say you cannot make cross-country comparisons. We say that you can. They also—this gets to my apples and oranges point—define the kindergarten component, of kindergarten through 12 spending, to include preprimary. Now, most of that spending in the United States is private. In other countries, such as France, it is public. So, in essence, the way they have started out methodologically ends up skewing the numbers against the United States.

METHODOLOGY OF EPI STUDY

Senator HARKIN. Say that again. I want to comprehend that.

Mr. KOLB. In their definition of kindergarten through 12, they include preprimary spending, which is basically handled through private sector sources in the United States.

Senator HARKIN. It is public sector in——

Mr. KOLB. A country like France, for example, includes preprimary spending in their figures. Again, they also use this other category, which we are still trying to sort out. And we have looked very carefully at this and have had some other people look at it, other economists outside the Department.

And I would also refer you, by the way, to the very excellent article by John Hood in the Wall Street Journal of February 9, which in essence would support what we have said. Their numbers are right, but they are irrelevant. They do not tell you anything about per student spending. And when you look at per student spending, we are up at the top of the chart.

And that is why I think the issue is not percentage of gross domestic product, or national product, or resources. The issue is how we can take that level of spending in the aggregate or per student and turn it around—as the Secretary said this morning—to restructure the system and get better results. It has been an interesting discussion, but it deflects us from the real business that is at hand.

I hope that was reasonably restrained.

Senator HARKIN. My staff has worked up the numbers for the Minnesota and Mississippi example that you were using. And if you correct for the difference in wage rates between the two States, when you adjust for the different enrollment rates, Minnesota spends $2,884 per capita, Mississippi spends $2,350 per capita. Minnesota spends at a rate that is about 23 percent greater.

When you adjust for differences in school enrollment rates, Minnesota spends 4.2 percent of its income, domestic income, State income, on education; Mississippi spends 3.5 percent. Minnesota's effort, again 20 percent greater.

You said Mississippi was 3.9 percent of their domestic product and Minnesota was 3.7 percent.

Mr. KOLB. That's correct.

ADJUSTMENT FOR SCHOOL ENROLLMENT

Senator HARKIN. But when you adjust for differences in school enrollment rates, Minnesota is at 4.2 percent, Mississippi at 3.5.

Mr. KOLB. How would you define the school enrollment rate? We would be delighted to look at your figures.

Although I have not seen your numbers, it seems that you have basically used a consumer price index adjustment for wage rates.

Senator HARKIN. Well, it is the proportion of the kids that are in school, proportion of the population, how many are in school. That is the enrollment rate.

So, you have to look at the enrollment rate. Because when you don't factor that in, again just looking at it on the per student basis, you had $4,100 and about $2,000. This comes out to be about $2,800 and $2,300, much closer; 23 percent greater for Minnesota than for Mississippi. Then when you do it on the per income basis, it is about the same, about 20 percent.

Mr. KOLB. But you see, if you start with a large denominator, which the United States does in terms of its domestic or national product, then obviously it is the same situation as the relationship between me and Donald Trump. He has a much larger denominator in terms of the overall spending. And so, it is an interesting statistic, but it doesn't tell you very much that is relevant about the debate, which in my judgment should be about how we restructure those resources and how we retarget them.

ADJUSTMENT FOR GROSS NATIONAL PRODUCT

Senator **Harkin**. I have a sense of what you are saying. I am not certain I completely concur with that.

I still think that when you adjust for your gross domestic product, gross national product, and you put the adjustments in there, that it does say something about the commitment of each of these countries to education, how much are they willing to take out of that pot.

Mr. **Kolb**. Not necessarily, because we have a substantially larger pot than all of those countries. I cannot give you the precise GNP or GDP figures, but I will bet you the farm that it is bigger than every single country between Sweden and Italy. You can play the same statistical game with regard to health care or just about any other item, but it doesn't tell you anything that helps in terms of the debate about education reform in America.

Mr. **Cross**. Mr. Chairman, it is interesting to look at these two charts side by side. If you look at the first chart on the science achievement, you see The Netherlands, for example, ranking third. If you look over on the second chart as percent of national income spent on education, you see The Netherlands is 11th. Now, somehow they are able to achieve much better with a percentage of national income going to education that is probably not far different from ours. Of course, you don't find Korea, Hungary, Finland, and several other countries on the second chart at all. So, it is hard to make those comparisons. But looking at those two charts, it is interesting to see that the correlation between achievement and spending is less than perfect.

From the best that I can determine, unfunded teacher pension liability is not figured in the expenditure data for the United States. And I am willing to bet as well that, EPI particularly in the western European countries, those pension liabilities are totally funded. And it represents a major education expenditure in this country.

Mr. **Kolb**. Two other points, Mr. Chairman. When you correct for school enrollment rates, I think you would expect Mississippi to look better than Minnesota because Minnesota has an extremely low dropout rate. If my recollection is correct, they are at the goal of 90 percent. I do not recall what Mississippi's dropout rate is. Doris? It's a 40-percent dropout rate. So, again, if you want to make the adjustments the way you have, certainly Mississippi is going to look better. There is no doubt about that.

Senator **Harkin**. GNP per capita of the United States is $19,770. Japan is $14,340. Germany is $13,900. Japan and Germany are fairly close to us in terms of their GNP per capita. The Soviet Union—they are way down there at $8,800.

But again, when you look at that, you have Japan ranked No. 7. Where is Germany? No. 9, and we are 14. We are much closer to them. They are much closer to us in terms of the GNP per capita.

And yet, again, it seems to me that they are spending a greater part of that on education than we are even though we are fairly close in terms of per capita GNP.

Now, again, I do not know what we are getting at here other than trying to figure out just what our national commitment is to education. I understand your Trump example. I am not certain that that holds true when you talk about it in the aggregate for a nation in terms of education and GNP.

Mr. KOLB. But take my food example from Sweden. I mean, what does that tell you? Should they eat less and we eat more, or spend less and us spend more on food? It doesn't tell you anything that forms the policy debate.

RELEVANCE OF EPI FINDINGS

Senator HARKIN. No; that could just mean that they have made an internal decision that they are going to support their agricultural sector at a very high rate and they are paying more of their disposable income for food.

Mr. KOLB. Or that we have a very efficient agricultural sector. It could mean a number of things.

Senator HARKIN. That's true.

Mr. KOLB. Exactly. That is my point.

Senator HARKIN. That is true.

So, does that mean that we have a very efficient educational system? [Laughter.]

Mr. KOLB. Mr. Chairman, I wonder if I could share with you a letter that came in to Secretary Cavazos which I think is relevant on this issue of comparative spending and how we are doing and how the rest of the world is doing. I read it over the weekend and found it fascinating. If you are interested, I would just like to share an excerpt. It is a very long letter from a young woman who is, I guess, in an exchange program studying in Belgium, and she is, I guess, in high school.

Senator HARKIN. She is a U.S. high school student?

Mr. KOLB. A United States high school student from Texas who is studying in Belgium and wrote a long letter to her father, and her father sent it to the Secretary. And I will just share with you a few things that she said, because I think it is relevant to what was said this morning and to some of the things you have raised this afternoon.

She writes to her father:

> I was shocked when I came here. They are so behind. One thing that I want you to know is that you can be proud of the schools in America. We have everything. It makes me sick to think how we have taken our schools and what incredibly modern things they have given us for granted. We had probably 50 or more computers and equipment, and here in Belgium they have two, I think. We had a monstrous library at my school in Texas, and they don't have one in the schools here. In my school in Texas, the classrooms are specifically designed by psychologists so that they could create a better learning atmosphere with no distractions. Even the color of the paint was chosen for a purpose. We always are supplied with free, huge, modern textbooks for learning, which are replaced regularly. The people in charge of education in the United States are always making sure we have the most modern of everything. They are doing an impeccable job. We can be very proud of our schools in the United States, because I am pretty sure they are among the best in the world. If you came here and saw, you would say the same thing.

Now, I am going to tell you where the entire problem with education lies in the United States. Besides for a few coaches being allowed to teach in our schools, the entire problem lies with us, the students. I have never, besides for a few times, in my life seen students work as hard as they do here. They don't have much, but what they do have they use to the maximum. We have everything we could ever want at school right at our fingertips, and we take it for granted.

SCHOOL SYSTEM

Senator HARKIN. Is she from an inner-city school in Harlem?

Mr. KOLB. No; Texas.

Senator HARKIN. From a Houston suburb maybe? She is talking about a school that sounds like it is real nice.

Mr. KOLB. But her point is important. I think it is a relevant point. We do have a lot of spending. The challenge is to restructure what we are doing in the schools. And what she is saying is that there is an absence of rigor, I think, in our school system, and she has seen it in comparison with a system that does not have the sorts of things that we have.

I think that tells you something about why our kids aren't doing as well on the performance tests and why Chris Cross is before you today saying we need to beef up our research, statistics and assessments, so we can get at the heart of this problem. We know we are not doing well, and it is not wholly a resources question.

AVAILABILITY OF RESOURCES

Senator HARKIN. Well, I said this morning myself that it wasn't wholly resources, but I said it has a lot to do with resources. I can take you to rural schools in Iowa where they do not have computers and they don't have fancy paint on the walls. They didn't have some psychologist lay out the classroom. The heat is probably not the best in the winter, and there is no cooling when it is hot. And the desks aren't the most modern, and they don't have much of a library, the kind of school I went to. We didn't have very fancy stuff, you know, a coal furnace in the basement. There were eight kids in my graduating class in eighth grade.

But this kid it sounds like comes from a very well—again, what I said this morning. If you live in a good neighborhood and your family has a high income, you got great schools because it is based on property taxes. If you live in a place where your family doesn't have very good income, you don't have a very good school. And I am saying we have to get beyond this. It is not written in stone someplace. We have to equalize educational opportunities.

I track with you. I tell you I agree with you wholeheartedly that we need more discipline in our schools. We need more rigor. We need more motivation. I do not know exactly how you get that.

Mr. KOLB. I think the best phrasing of the challenge that I have seen, Mr. Chairman, is from David Kerns and Dennis Doyle in their book "Winning the Brain Race." It is an excellent book. I recommend it to you.

Senator HARKIN. What is the name of it?

Mr. KOLB. "Winning the Brain Race." It is short. It is a 120-page quick read, but it is an excellent book. And they say at one point, again addressing this issue of resources, that the issue is not more dollars for education, it is more education for the dollar. And I think that is what we are getting at.

SCHOOL SIZE

Senator **HARKIN**. Well, I tell you all our prejudices start coming out at a time like this and perhaps our set preconceptions, but I tell you I think we have made a big mistake in this country when we consolidated school districts. Bigger schools, bring them all in. It cuts the cost down. And you have teachers now that are teaching 25 kids in a class teaching six classes a day. They have no way of keeping tabs on those kids, not at all. That is why people who have means are sending their kids to private schools where they have 10 kids in class so they can get that kind of attention.

As I said, that is my own personal opinion—I went to a small school where you had that closeness. And then they consolidate all these schools and people lose their identity and teachers do not have that individual connection with students. And I am not certain we saved a dime doing it. I am not certain we saved anything. We have fancier schools and nice paint on the walls and things like that and better sports teams, but I am not certain the teaching is any better and the education is any better. Well, that is just one of my own personal things.

And now I understand they are going back sometimes to the smaller school districts.

Mr. **CROSS**. In fact, Ted Sizer, who is a former dean at Harvard and is now at Brown running his coalition for essential schools, strongly supports the notion you are describing, but within a school structure. You set up a school within a school where you don't lose the identity of the student and he or she doesn't become just a number that nobody cares about. I think you are absolutely right.

Senator **HARKIN**. When I went through school—again, our own personal things come out—I sat in a classroom. Third, fourth and fifth grades were in the same room. There is just spillover. You pick up things. Our sixth, seventh, and eighth grades were in the same room. I tend to think there was something about that where you learned as you went along. I don't know.

Well, listen, thank you very much for being here. I appreciate it very much, and now we are going to the inspector general. I appreciate all of you being here and bearing with us. It was a good exchange. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

There will be some additional questions from various Senators which we will submit to your for your response.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

VOCATIONAL AND ADULT EDUCATION

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ESTIMATES OF ILLITERACY

Question: Ms. Brand, two years ago, the Department estimated that we had between 17 and 21 million illiterate Americans in the U.S. Last year, however, you estimated between 25 and 28 million. What is the Department's current definition of illiterate?

Answer: The definition of literacy that we are currently using is: "using printed and written information to function in society to achieve one's goals and to develop one's knowledge and potential."

This definition was established for the National Assessment of Educational Progress Literacy Assessment of Young Adults in 1985 and will be used in the National Adult Literacy Survey mandated by P.L. 100-297.

Question: What accounts for the large increase between the two estimates?

Answer: An estimate of functional illiteracy depends on a number of factors, including the literacy definition used, the population surveyed, and the way that the population is assessed. The English Language Proficiency Survey was commissioned by the Department of Education and conducted by the Bureau of the Census in the Fall of 1982. That survey was designed to discover whether language minority adults were sufficiently proficient in English to deal, at least at a minimum level of adequacy, with public agencies. It resulted in estimates that between 17,000,000 and 21,000,000 adults were illiterate, for an overall rate of nearly 13 percent.

A higher estimate of illiteracy results when one uses findings from the Adult Performance Level (APL) study reported in 1975. The APL found that 27,000,000 adults were functionally illiterate based on 1980 population totals.

The Educational Testing Service, Princeton, New Jersey, has begun a four-year project to determine the "criteria for defining literacy" and an "estimate of the number of illiterate adults in the Nation," as required by P.L. 100-297. The project, entitled the National Adult Literacy Survey, is scheduled for completion in June 1992.

IMPACT OF FEDERAL FUNDING

Question: Ms. Brand, your Department estimates that you are currently serving only about 6 percent of those adults who are in need of literacy training. I understand that there are currently about 3 million participants in the adult education programs currently funded by the Federal Government. What will be the new number under your budget proposal?

Answer: We estimate that our request for 1991 would help to support programs reaching almost 4 million adults.

Question: Given that small percentage of needy adults that we reach, can we really expect that the funding increase that you have asked for will have a significant impact?

Answer: Adult education funds represent only one part of the Federal effort to raise the literacy levels of undereducated adults. Job training, welfare, early childhood, dropout prevention, and library programs aimed at improving basic skills and employability among adults and their families are significant components in the Federal effort to reduce illiteracy. Taken together, the federally supported programs will have a significant impact on the problem of illiteracy. In addition, the States have been increasing their efforts in literacy and adult education over the past fifteen years, and the increasing State match for Federal dollars mandated in the Adult Education Act, which will be 20 percent in 1991, will help to generate even greater funding to address this problem.

FEDERAL INVOLVEMENT IN LITERACY

Question: Do we need to rethink our whole level of Federal involvement in this area?

Answer: The President's goal, included in the State of the Union address, that "by the year 2000, every adult American will be literate and possess the knowledge and skills necessary to compete in a global economy and exercise the rights and responsibilities of citizenship," calls for greater Federal efforts and funding for adult education and literacy. I believe our request for 1991 puts us on the right track. Meeting the President's goal will require, in addition to Federal dollars, increased commitment on the part of business and industry, educators, and volunteers, and more efficient use of available resources.

New directions are being taken at the Federal level in support of this goal. Foremost among these are an increased emphasis on coordination and cooperation among Federal agencies that provide major support for literacy and basic skills services. For example, the Office of Vocational and Adult Education (OVAE) is working closely with the Employment and Training Administration of the Department of Labor (DOL) and the Family Support Administration of the Department of Health and Human Services (HHS) to identify and catalog Federal programs supporting literacy efforts, develop strategies for coordination of these programs, establish common terms and definitions for rules and regulations governing the programs, and encourage blending of Federal program funds at the State and local levels to improve and expand services to undereducated adults and their families. The new Federal emphasis on coordination will produce more effective and efficient use of funds and avoid duplication of services.

In addition, the Department of Education is currently working under an interagency agreement with DOL and HHS to assist in the implementation of the Job Opportunities and Basic Skills (JOBS) program components that provide education and job training for clients and to conduct a jointly funded study of Federal services and sources for adult education that will provide recommendations for program coordination at the Federal, State, and local levels.

Question: How have the States responded to the Federal incentives to support literacy activities?

Answer: States have generally responded very well. The proportion of funding for adult education attributed to non-Federal sources increased from 25 percent in 1969-70 to 76 percent in 1986-87. Federal involvement has generated significant State, local, and private sector support for adult education and literacy. In 1988, Federal funding represented only one-quarter of the total funding spent on adult education and literacy. We expect the increasing State matching requirements mandated in the Adult Education Act to foster even greater State efforts.

In addition, nearly all States have established State literacy initiatives. Many emanate from the Governors' offices; others from State libraries and State departments of education. These initiatives are characterized by the creation of statewide literacy coalitions or councils that are replicated at the local level and include representatives from education, labor, social services, business, media, and civic organizations and associations. Cooperation and communication among service providers are encouraged; public awareness efforts are implemented; and in many States, new funds have been appropriated to support literacy programs.

NEW RESPONSIBILITIES UNDER THE VOCATIONAL EDUCATION ACT

Question: Ms. Brand, both the House and Senate reauthorization bills for the Vocational Education Act require the States to develop and implement performance standards for vocational education, as well as enhance efforts in the area of applied technology. Does the Department currently have the expertise to provide the States with guidance and technical assistance in the development of performance standards?

Answer: At this time, we do not have the in-depth staff expertise in the areas of performance-based instruction and standards we would need to provide guidance and technical assistance to the States.

The Division of Vocational-Technical Education (DVTE) is implementing a State Accountability Review System Initiative. To date, 13 State reviews have been completed. These reviews are providing the Office of Vocational and Adult Education with information on what States are currently doing to ensure program quality and to determine program impact. DVTE staff have also been working closely with a number of States (such as Oklahoma, Florida, and South Carolina) that are developing and implementing performance-based instruction and standards in response to recently passed State laws or major State initiatives.

This initiative is building our staff knowledge and experience in the area of performance measures and standards. In addition, prior to implementing performance requirements under a reauthorized statute, we will consult with Department of Labor staff, so that we can learn from DOL experiences in implementing the Job Training Partnership Act (JTPA) performance standards and ensure as much consistency as possible in performance requirements across the two programs.

Question: Do you currently have a staff with any expertise in applied technology programs?

Answer: "Applied technology education" is a term used in the House vocational education bill as a synonym for vocational education. We have considerable staff with experience in all the fields of vocational education, and they strive to keep up-to-date with the changing technologies in their respective areas of expertise.

VOCATIONAL EDUCATION REAUTHORIZATION

Question: Ms. Brand, the administration sent its vocational education bill to the Congress back in April. The House has passed its bill. The Senate Labor Committee has now reported its bill to the Senate. In your view, how successful has the administration been in getting its concepts adopted in either the House or Senate bills?

Answer: We believe we have been fairly successful in promoting our proposals, particularly on the Senate side. Our bill emphasized the themes of accountability for program quality and student achievement, program improvement, enhanced flexibility, and coordination of vocational education with labor market needs. Although the Department is not completely satisfied with either H.R. 7 or S. 1109, we are encouraged by the fact that both bills reflect, to some extent, those themes crucial for effective vocational education.

The Department is particularly pleased by the Senate bill's clear focus on assessment and accountability, expressed in provisions that require States to develop measurable objective criteria by which to evaluate State and local programs and then to improve those programs that remain ineffective after two years of funding. The Department is also pleased with the elimination of a number of set-asides in both bills. We believe that each State should be free to meet its particular needs in a manner consistent with the results of its own assessment of need and not be constrained by expenditure requirements that may not be suited to local needs.

We are also pleased with efforts by both Houses to link vocational education with the States' labor market needs. In particular, under S. 1109, States would describe in their State plans how their occupationally-specific training will be tied to current or projected job openings.

Question: The Senate reauthorization bill seeks to target Federal funding on secondary programs and away from postsecondary vocational programs. What is your view of this initiative?

Answer: The primary responsibility for education has traditionally rested with the States, and they demonstrate diversity in the ways they have developed their delivery systems for vocational education. Federal intervention that restricts a State in making the most effective use of the institutions in its delivery system would have an adverse effect on that State's ability to respond to changing needs. We would prefer to allow the States complete flexibility in determining the split of funds between secondary and postsecondary education.

Question: Do you think it will have any real effect on the capabilities of the workforce?

Answer: Again, by restricting a State's ability to respond to changing needs, it would most certainly have an adverse effect on the capabilities of the workforce.

SENATE LITERACY BILL

Question: Ms. Brand, as you know, the Labor Committee has reported a major literacy bill to the Senate which seeks to boost the availability of resources addressing our literacy problem and better coordinate all of the Government's several literacy programs under one senior administration official. A similar bill is moving in the House. What are your views on the Senate literacy bill?

Answer: We strongly support the goal of increasing literacy in America. We cannot, however, support S. 1310 in its current form. We have several concerns. First, by mandating creation of a National Literacy 2000 Federal Interagency Council, it would impinge on the Executive prerogative to structure the Cabinet policymaking process. Second, it would duplicate current authorities and funding by authorizing redundant new programs. For example, the proposed Families for Literacy program would have the same objectives and activities as the existing Even Start program. Finally, it would unnecessarily increase the authorization levels for numerous existing programs.

Question: Does the administration simply oppose the bill or are you recommending revisions to the bill to make it more to your liking?

Answer: We are seeking modifications on the House side that would result in a measure acceptable to the administration.

COORDINATION OF LITERACY ACTIVITIES

Question: Ms. Brand, the administration has estimated that there are 79 different literacy programs scattered among 14 agencies in the Federal Government. What can you tell us about who is coordinating the administration's literacy initiative? How well are the 79 programs being coordinated?

Answer: While 79 programs may include the term "literacy" as one of their goals, there are far fewer Federal programs that provide major support for adult literacy. The Departments of Education, Labor, and Health and Human Services have just compiled a listing of their respective programs that provide services for undereducated adults as a major component. We will be working with other Federal agencies this year to compile a similar list.

Until recently, the major programs were loosely coordinated. The rules and regulations that govern these programs often used different definitions of literacy and different standards for assessing literacy. The Department is seeking to develop common definitions and standards and establish a single frame of reference for literacy and basic skills.

Question: Is it accurate to say that there is an administration illiteracy initiative in progress?

Answer: Yes, there is an initiative in progress. Initially, the Adult Literacy Initiative was identifiable as a single office within the Department. At that time, its focus was on: (1) encouraging States to develop literacy initiatives to address the problem of adult illiteracy; and (2) to encourage citizens and the private sector to volunteer in local literacy programs and assist adult educators in reaching out and providing instruction to undereducated adults.

The literacy issue now encompasses far more than a call for volunteer involvement and State direction. It crosses agency and public and private sector lines and demands coordination among the different sectors. It is no longer adequate to have a single office to direct literacy efforts, but most appropriate to have Federal, State, and local agencies of many types join in a concerted, multi-faceted literacy initiative. The administration is developing such a multi-faceted initiative.

WORKFORCE NEEDS

Question: Ms. Brand, it has been estimated that in today's economy, the average adult is going to change their trade three or four times before they retire. That would indicate that rather than teaching our students a specific trade, we should prepare them for the workforce with more general skills. Has this been the trend with our vocational education programs?

Answer: Increasingly, secondary schools are modifying occupational programs to emphasize a broadened knowledge and skill base, including academic skills, analytical and problem-solving skills, interpersonal and communication skills, and employability skills. Many States permit vocational courses that use State board of education-approved curriculum to partially meet math, science, and communication requirements for high school graduation. As more students leave secondary school with broad, transferable skills, postsecondary institutions are able to offer technical, occupationally-specific work preparation.

Question: In your view, are today's vocational education programs sufficiently focussed on our future workforce needs?

Answer: Progress is being made in this area. For example, most States have discontinued the teaching of traditional industrial arts, replacing it with new technology education programs. Technology education is designed to help students comprehend technological systems and gain the ability to apply what they learn to real life situations. These programs provide an excellent base for more complex occupational programs taught at the secondary and postsecondary levels. Secondary and postsecondary programs that include applied academics and are organized along the "2+2 tech-prep" format are also proliferating.

Question: In your view, are there sufficient incentives in the Vocational Education Act to ensure that the dollars are focussed on our future workforce needs?

Answer: We have found that if local communities are given the flexibility to plan for and use resources made available, with a minimum of restrictions, they will develop innovative and effective programs to focus on our future workforce needs. We believe the reauthorization, by eliminating some of the current law's constraints on the use of funds, will increase the incentives for States and localities to meet future workforce needs.

STUDENT AID

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COURSE STRETCHING

Question: Mr. Haynes, the Education Department's Inspector General recently completed a number of reports regarding the student aid programs. One of the reports was on the practice of course stretching where schools expand the length of their programs so that their students qualify for additional student aid. For example, one area which was cited by the IG was the training of security guards. While many States have no formal training requirements for security guards, those that do, require anywhere from 4 to 64 hours of training. Yet it is not uncommon to find schools participating in the student aid programs that are training security guards from as few as 300 hours to as many as 700 hours. In the area of nursing assistants, the Department of Health and Human Services requires a minimum of 75 hours of training. However, there are schools participating in the student aid programs training nursing assistants for more than 1,000 hours at a cost of as much as $6,500. The Inspector General made a strong recommendation that your Department establish "course length standards" through regulation to get at this potential area of fraud.

What are your plans for following up on this recommendation? Do you expect to publish guidelines or regulations on course length?

Answer: We are aware that course stretching is becoming a significant problem for some areas of postsecondary education, and we are initiating several actions that will ameliorate the problem. The Office of Postsecondary Education has entered into an agreement with the National Home Study Council to verify the need for specific course lengths in the case of correspondence programs of institutions seeking initial eligibility or renewal of eligibility for the Title IV student financial assistance programs. We anticipate that this agreement, the first between the Department and an accrediting agency on this subject, will be replicated soon with other accrediting agencies that accredit occupational, vocational, trade and technical courses of study.

In addition, the Department is considering statutory remedies to this problem in its development of the administration's proposals for reauthorizing the Higher Education Act.

OMB REVIEW OF FRAUD AND ABUSE

Question: Mr. Haynes, in light of the scandal at HUD, OMB has recently completed a government-wide vulnerability review that focused on the programs that were especially vulnerable to fraud and abuse. The Education Department's student loan program was singled out as one area in desperate need of administrative reform. These criticisms go beyond the default problem and address the Department's overall management practices and financial controls. What steps are you taking to address this situation?

Answer: The Department has reduced fraud and abuse through program reviews, Office of Inspector General (OIG) audits and investigations and strict regulations regarding institutional default rates, and continued eligibility to participate in the student financial aid programs. Specifically, the Department has taken the following steps:

Program Reviews: Our fiscal year 1990 program review plans emphasize Department institutional reviews--an increase of 432 over the fiscal year 1989 level of 768 and an increase of 828 reviews over our low point of 372 reviews in fiscal year 1987. Our plans also include 530 lender reviews an increase of 48 reviews over the fiscal year 1989 level of 482. Guarantee agency reviews will increase by 33 percent in fiscal year 1990 over fiscal year 1989. We are proposing that this trend continue in fiscal year 1991 and estimate total reviews will increase to 2,033, from 1,754, in fiscal year 1990.

Specific increases follow:

	1987	1988	1989	1990	1991
Institutional Reviews.........	372	731	768	1,200	1,315
Lender Reviews................	247	336	482	530	688
Guarantee Agency Reviews......	8	10	18	24	30
Total ED Reviews........	627	1,077	1,268	1,754	2,033

Regulations: The Department is pursuing a variety of regulatory measures to control fraud and abuse and to reduce defaults and improve collections. In June of 1989, the Department published final regulations which include the following major provisions:

-- Requiring schools with default rates above 30 percent to delay certification and disbursement of loan funds for first-time borrowers.

-- Requiring implementation of default management plans at schools with default rates above 20 percent.

-- Requiring schools with default rates above 30 percent to use a pro-rata tuition refund policy.

-- Authorizing the Secretary to initiate Limitation/Suspension/Termination (LST) proceedings if a school's default rate is above 60 percent.

-- Authorizing the Secretary to initiate LST proceedings if a school with a default rate above 40 percent does not reduce its rate by 5 percentage points per year, until the rate decreases to below 40 percent.

We have requested an increase of 20 full-time equivalent (FTE) employees for the Office of Student Financial Assistance (OSFA). These FTE positions will be used to handle the increased litigation and appeals workload associated with proposed limitation, suspension and termination provisions for schools with default rates exceeding 60 percent. Additional positions are also needed to perform training for institutional, lender and guarantee agency staff concerning compliance with default reduction requirements, additional monitoring and coordination of the expanded Title IV processing contractors, and to help increase estimated program reviews.

MONITORING DISCRETIONARY GRANT PROGRAMS

Question: The same report from OMB criticized the Department's monitoring of the formula and discretionary grant programs saying that the Department is not adequately monitoring whether these funds are going for the purposes for which they are intended. What are you doing to address this criticism?

Answer: The Department's Division of Project Services monitors institutional grants on site and provides technical assistance to grantees. This oversight responsibility is performed by headquarters staff and by regional grants representatives located in each of the Department's ten regional offices. The number of program reviews conducted each year at institutions by the Division of Project Services has grown from 372 in 1987 to a projected 1,200 in 1990. Additionally, in its fiscal year 1991 budget request, the Department proposes to increase by 20 percent the travel funds available to perform program reviews and on-site visitations.

Current activities the Department is conducting to monitor the administration of the institutional formula and discretionary grant programs also include evaluating the largest TRIO programs, Upward Bound and Student Support Services, to identify and document the most successful intervention techniques and enable other TRIO projects nationwide to replicate these effective techniques.

PELL GRANT ELIGIBILITY

Question: Mr. Haynes, I see that your only proposal for expanding grant opportunities is to allow Pell Grant awards to go to students attending on a less-than-half-time basis. These are students who are effectively taking only one course. Given the fact that we have frozen Pell Grant benefits now for three years in a row, and we have many unmet needs both among poor students and middle class students, why is your highest priority the expansion of these grant awards to students taking only one course?

Answer: We believe it is important to encourage needy individuals to overcome their fears of higher education. The less-than-half-time provision promotes access to postsecondary education for those who cannot, for whatever reasons, start their schooling on a half-time or greater basis. Under the Department's 1991-92 budget proposal, an estimated 169,000 less-than-half-time students with expected family contributions (EFCs) less than or equal to $200 would be Pell Grant recipients, with awards averaging $271. The Department's proposal to restore eligibility to less-than-half-time students in 1991-92 takes into consideration the changing characteristics of the postsecondary population. The proportion of part-time students grew from 32 percent in 1970 to an estimated 42 percent in 1987, according to the National Center for Education Statistics.

The 1991 budget request would provide Pell Grant awards to an additional 175,000 students over the 1990 level. Further, Pell Grant aid would increase by $126 million.

HIGHER EDUCATION

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MINORITY PARTICIPATION IN HIGHER EDUCATION

Question: Mr. Haynes, the American Council on Education recently released its annual report on minorities in higher education. The news is not good. Between 1976-1989, the percentage of blacks graduating from high school has increased to 75 percent. But the percentage who go on to college declined from 33 percent to 28 percent. What do you think is the primary cause for this trend?

Answer: There is indeed much reason to be concerned about the downward trend in minority college participation rates. Census data for the past 10 years, 1978 to 1988, reveal a decline in college enrollment for black and Hispanic students.

o Black enrollment declined slightly between 1978 and 1988, from 29.5 percent to 28.1 percent. It remains substantially below the college participation rate for white students. Although enrollment rates for black females increased slightly (from 28.2 percent to 30.5 percent), the participation rate for black males dropped sharply, from 31.9 in 1978 to 25.0 in 1988.

o College participation rates for Hispanic students increased slightly between 1978 and 1988 (from 27.2 percent to 30.9 percent) but continue to lag behind the enrollment rate for white students (38.1 percent).

A number of factors may be contributing to this alarming situation:

o At the elementary and secondary levels, minority students are not being adequately prepared and counseled to continue their education. According to the Federal Desegregation Assistance Centers (DAC), which were created under the 1964 Civil Rights Act to help States implement desegregation plans, in-school segregation by ability grouping (known as "tracking"), low expectations of minority students, and cultural bias in the schools and in the standardized tests contribute to the fact that black and Hispanic students score significantly below white students on standardized college entrance exams. Black students have made great gains in S.A.T. scores over the last 5 years, but in 1988, they still scored an average of 75 points below the national average on the verbal portion of the test and 92 points below the average on the mathematical portion.

o It has been suggested that blacks, particularly black males, do not see an adequate financial return for pursuing postsecondary education. This is particularly dismaying in light of the fact that Commerce Department data demonstrate that blacks and women make the most economic gains by attending college. We must ensure that younger minority students are properly counseled about the economic advantages of postsecondary education and about the availability of postsecondary opportunities, including financial aid. The Department began an initiative in fiscal year 1988 to encourage Talent Search projects to begin providing services to younger--7th and 8th grade--students. If successful, this initiative will be expanded in future years to include all Talent Search projects that wish to provide services to 7th and 8th graders.

- Because minority-group members tend to graduate with lower grade-point averages and lower test scores, the American Council on Education suggests that recent State efforts to raise admission standards at public universities may have a disproportionately large negative impact on minority high school graduates.

- There is some evidence to suggest that increased numbers of high-ability minority students may be choosing alternatives to a traditional college education. The military has been very successful in its efforts to recruit high-ability black high school graduates. Also, statistics show that over 40 percent of students enrolled in private, for-profit job training schools are minority.

Within the next 20 years, half of the new entrants into America's labor pool will be minority. Increasing the number of minority and disadvantaged students enrolling in postsecondary education--and improving their chances for success once they are enrolled--is one of the administration's most important educational goals. The 1991 budget reflects this priority by providing funding for a continuum of programs from preschool through graduate education that provide support for minority and disadvantaged students.

In addition, one of the Department's four Management by Objective (MBO) goals, as prescribed by the President, is "to increase minority participation and retention in 2-year and 4-year college degree-granting programs." The Department plans a number of activities designed to provide the basis of an action plan by the Department: a survey of participation and retention practices and procedures at higher education institutions; a series of case studies on exemplary retention and completion practices; and a major study of the Upward Bound and Student Support Services components of the TRIO program.

Question: Many people have observed that this decline in minority participation in college is due to the declining value of student grants. Rather than go into greater and greater debt, minority students are choosing alternatives to college. Do you think this is true? If so, why isn't this budget doing more to expand grant awards to needy students?

Answer: We have seen no evidence that suggests any relationship between declining enrollments of minority students and their reliance on loans. During the last 10 years, the ratio of loan aid to grant aid available under Title IV has decreased slightly, from 2.2 : 1 in fiscal year 1981 to 1.9 : 1 in fiscal year 1990. During these years, the number of students assisted by these programs will have increased 19 percent, from 5 million students in 1981 to 5.93 million students in 1990.

While our 1991 proposals would provide financial assistance to approximately the same number of students as were assisted in 1990, they would increase support for students served by the Pell Grant program, which is the most need-targeted of the Title IV student aid programs. Under our proposals, 175,000 more needy students would receive Pell Grants in 1991 than in 1990.

The issue of minority attendance and retention in higher education is one of the three top items being worked on by the Department and tracked under the President's Management by Objectives System. A part of understanding this issue is, obviously, understanding the effects of student aid. The Secretary is undertaking an analysis of trends and is exploring strategies to address this issue.

SHORTAGES OF MINORITIES IN MATH AND SCIENCE

Question: Mr. Haynes, over and above the critical shortage that we can anticipate in American born scientists, mathematicians, and engineers, it appears that minority students will continue to be underrepresented in these fields. You have requested small increases for the few Federal programs that address this concern, like the Patricia Roberts Graduate Fellowship program, and the Minority Participation in Graduate Education program, but these are really drops in the bucket when you consider the scope of the whole problem. Do you have ideas on how we should approach the problem?

Answer: The Federal Government supports a number of programs designed to address the potential shortage of scientists and engineers. The administration is proposing significant increases for these programs, which are administered primarily by the Department and the National Science Foundation (NSF).

The key to success in any field, but especially in science and mathematics, is adequate preparation at the elementary and secondary level. For this reason, the Department has proposed a 70 percent increase for the Eisenhower Mathematics and Science Education program--from $136 million in fiscal year 1990 to $230 million in fiscal year 1991. Under this program, State and local educational agencies as well as institutes of higher education help improve the preparation of teachers and raise achievement levels of American students in mathematics and science.

To encourage and reward exceptional performance in science and mathematics at the secondary level, President Bush has proposed a new National Science Scholars program. Under this program, scholarships would be provided to graduating high school students who have excelled in the sciences, mathematics, or engineering. We are requesting $5 million for this new program in fiscal year 1991.

Beginning in fiscal year 1990, the Department plans to fund special math and science projects under the Upward Bound component of the Special Programs for the Disadvantaged ("TRIO") program. Under this new initiative, the Department plans to hold a competition during fiscal year 1990 for the first year's implementation. Beginning in the summer of 1991, each institution will provide summer residential activities for up to 100 Upward Bound participants selected from among the regular Upward Bound projects in the area or region of the institution. The participants--who must be low-income or potential first-generation college students--will be exposed to an intensive mathematics and science curriculum during the summer and have opportunities to meet and work with practicing scientists. It is expected that, based on this special training and encouragement, students will continue their studies in mathematics and science and will be prepared for higher education in these areas.

To improve the quality of instruction in mathematics and science at predominantly minority institutions of higher education, the Department has proposed an increase for the Minority Science Improvement Program in 1991. This program provides funds to predominantly minority institutions to purchase needed equipment, to develop curricular materials, and to support advanced faculty training.

At the graduate level, the Department plans to increase substantially its support for the Graduate Assistance in Areas of National Need program--from $15.8 million in 1990 to $25.5 million in 1991. Under this program, institutions award fellowships, in such fields as chemistry, physics, engineering and mathematics. In awarding such fellowships institutions must provide assurances that they will seek students from underrepresented backgrounds. The 1991 request for Patricia Roberts Harris Graduate Fellowships, which grants approximately 50 percent of its fellowships to those studying mathematics, science or engineering, is $17.8 million, up from $16.0 million in 1990. This program serves those from groups underrepresented in graduate education.

In addition to the Department, the NSF also funds a number of programs that support the study of science and mathematics. The fiscal year 1991 request for NSF's science and engineering education activities totals $251 million, an increase of $47 million, or 23 percent, above the fiscal year 1990 level.

In addition, the President's science advisor, acting through the Federal Coordinating Council on Science, Engineering & Technology (FCCSET), is establishing a committee on education and human resources to coordinate policy across the executive branch.

Question: While I recognize that you have some small initiatives in your budget to address this problem, how many students will those initiatives really effect?

Answer: We currently do not have data on the number of students helped under the Eisenhower Mathematics and Science Education program because almost all of the funds awarded under this program are granted to State and local educational agencies and to institutions of higher education. However, we should have the requested data once an evaluation of the program is completed by the end of this year. Similarly, the Minority Science Improvement Program provides institutional support rather than assistance to individual students. As a result, the number of students served is unavailable.

The following table shows the number of students aided under the Department's other programs that support the study of mathematics and the sciences:

	Number of Students	
Program	1990	1991
National Science Scholars	---	570
Math/Science Upward Bound	2,500	5,000
Graduate Assistance in Areas of National Need	1,234	1,991
Patricia Roberts Harris Graduate Fellowships	1,035	1,145

INNOVATIVE PROJECTS FOR COMMUNITY SERVICES

Question: Mr. Haynes, the President has spoken many times about the thousand points of light. The Education Department does not have a lot of involvement with voluntary services but you do have the Innovative Projects for Community Services program. In Iowa, the University of Dubuque has done wonderful things with a very small grant from this program to establish a volunteer program for its students. Given the President's interest in community service and the fact that your budget terminates far fewer programs than in the past, why are you proposing to terminate this program?

Answer: Innovative Projects for Community Services provides administrative funds to demonstration projects to determine the feasibility of encouraging student participation in community service projects in exchange for educational services or financial assistance in order to reduce debt burden. We are requesting no funds for Innovative Projects because this concept is already adequately demonstrated by the Perkins Loans and Work-Study programs.

Institutions such as the University of Dubuque that want to continue projects initiated under Innovative Projects would be able to support their projects using institutional or private-sector funds or possibly funds from other Federal programs. For example, the student community service programs administered by ACTION's Volunteers in Service to America (VISTA) agency assist secondary and postsecondary educational institutions and vocational schools in establishing and maintaining student volunteer activities for low-income communities.

HIGH DEFAULT RATE ELIMINATION

Question: Mr. Haynes, the Budget Reconciliation bill recently passed by Congress, requires the Department to develop regulations to ensure that schools that are under sanctions because of their high default rates cannot just eliminate that rate from the books by selling one of their campuses to a new owner. What progress has the Department made in closing this loophole?

Answer: The Department has advised the postsecondary education community that the consquences of an institution's default rate cannot be evaded through branching, consolidation, or change of ownership or control. A policy statement, which was disseminated to all participating institutions, explained that the default rate is based on an institution's structure on the first day of the fiscal year for which the default rate is being calculated. The institution will retain this default rate for that year regardless of the sale or acquisition of a branch campus. In addition, the Department is drafting regulations that will provide more formal and comprehensive requirements in this area in the near future.

WORKFORCE PREPARATION

Question: Mr. Kolb, back in December two important reports were published within a week of one another regarding the future of our workforce. When you put the results of the two reports together, the outcome is frightening. Your Department published a report telling us what school enrollments and what the workforce will look like in the year 2000. At the same time a report on our future needs in the workplace pointed out that beginning next year, 1991, our colleges and universities would have to graduate twice as many women, five times as many blacks, and seven times as many Hispanics, into the science and engineering careers to fill the expected shortages in the 21st century. The bottom line is that we aren't going to come close to meeting our future needs given the path we are on.

What is the Department proposing as a remedy for this crisis that we face?

Answer: The report which you cite as discussing future needs in the workplace is the report of the congressionally established Task Force on Women, Minorities, and the Handicapped in Science and Technology. This Task Force was composed of individuals from ten Federal agencies, together with representatives of private businesses, academia, professional associations, and nonprofit foundations. The Task Force made a variety of recommendations, including the following. "The Nation should increase the number and diversity of American students graduating in science and engineering. By the year 2000, we should produce enough professionals in these fields, including more from underrepresented groups, to meet the demand for faculty and for industry and Federal personnel." The Department supports this goal.

Some of the actions proposed by the Task Force are being pursued by the Department. For example, the proposal to establish a National Research Scholars Program in Science and Engineering is similar in intent to the President's proposed National Science Scholars program proposal.

However, we do not believe that the Nation is facing a dire crisis as you describe. At any given time, there is a shortage within the Nation of some types of expertise and an oversupply of others. Job availability and salary levels usually are sufficient to adjust for such shortages. While we believe that some efforts must be made to strengthen training levels in the sciences, as we have proposed, in general, we believe that market forces will continue to be our primary means of meeting the Nation's labor needs.

Of course, the Federal Government does not provide assistance to persons on the basis of their race, sex or ethnic origin. Student financial assistance is distributed on the basis of financial need and the Department's 1991 budget request will support over $18 billion in need-based student aid. The majority of this aid is received by women, blacks and Hispanics. Our primary efforts should continue to be on removing financial barriers to postsecondary education, thereby allowing students to choose their field of study and letting market forces operate.

Question: What kind of bold steps is the administration prepared to take to avoid this train wreck that we can expect in 10 to 15 years?

Answer: The President submitted to Congress the Educational Excellence Act on April 5, 1989. This bill includes a number of new initiatives designed to address the problems which face the Nation in the years ahead. The Senate has since passed a version of this bill which incorporates a number of the specific proposals recommended by the President. These include: Presidential Merit Schools; Magnet Schools of Excellence; Alternative Certification of Teachers; National Science Scholars; and Endowment Grants for Historically Black Colleges and Universities. While these programs are not the final solution of these problems, they, along with existing programs, will make a significant difference.

Question: What remedies have you proposed to address this problem in this budget and how much money are you prepared to spend on it?

Answer: The Federal Government does support a number of programs designed to strengthen scientific study. Many of these programs, administered primarily by the Department and the National Science Foundation, are proposed for significant budgetary increases.

The key to success in any field, but especially in science and mathematics, is adequate preparation at the elementary and secondary level. For this reason, the Department has proposed a 44 percent increase for the Eisenhower Mathematics and Science Education program in fiscal year 1991. Under this program, State and local educational agencies provide teacher training to improve instruction in mathematics and science.

The Graduate Assistance in Areas of National Need program provides fellowships to outstanding graduate students with financial need. This program is designed to support students at the graduate level who will later become leaders in their field. The areas of national need are designated by the Secretary and in recent years scientific fields of study have been selected. Institutions seek to award these fellowships to students who are traditionally underrepresented in the fields designated by the Secretary. Minorities are traditionally underrepresented in the sciences. For fiscal year 1991, the Department is requesting a 61 percent increase in funding over fiscal year 1990. The Patricia Harris Graduate Fellowship program also funds students from groups that have been traditionally underrepresented in graduate study. The 1991 budget request seeks an 11 percent increase for this program.

The National Science Scholars program, proposed in the Educational Excellence Act, would support outstanding undergraduate science students with $5,000 grants which could be added to a student's Federal need-based aid. This legislation would fund over 2,000 of the Nation's most qualified science students. The 1991 budget request also proposes increased support for the Minority Science Improvement Program, which awards grants to minority institutions to develop quality undergraduate science programs. Of course, the student financial assistance programs support needy undergraduate students in all fields of study and will provide over $18 billion in assistance in the proposed 1991 budget.

Also, beginning in fiscal year 1990, the Department plans to create special mathematics and science Upward Bound projects. Beginning in the summer of 1991, institutions chosen to operate these projects will provide summer residential activities for up to 100 Upward Bound participants selected from among the regular Upward Bound projects in the area or region. The participants--who must be low-income or potential first-generation college students--will be exposed to an intensive mathematics and science curriculum during the summer and have opportunities to meet and work with practicing scientists.

POSTSECONDARY EDUCATION FACILITIES

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COLLEGE CONSTRUCTION LOAN INSURANCE PROGRAM

Question: To what extent can Federal programs for postsecondary education facilities be replaced by the College Construction Loan Insurance Association?

Answer: The College Construction Loan Insurance Association, Connie Lee, provides assistance in the form of guarantees, reinsurance or direct insurance of privately secured loans, bonds, and other debt instruments for the purpose of financing the acquisition, construction or renovation of college facilities. Reinsurance of bonds that have already been issued allows direct insurers to extend their existing resources to other colleges that need capital for construction or renovation. Reinsurance can also provide more favorable terms in the form of lower interest rates and a longer loan period for borrowers. During 1989 Connie Lee provided reinsurance on bonds representing $1.5 billion dollars of debt for more than 550 colleges, universities and teaching hospitals. Connie Lee expects to make a greater impact in coming years as it enters the direct insurance business.

Question: Can you provide us with a summary of the Association's activities during the past year and the assistance it has provided to institutions of higher education?

Answer: The Federal postsecondary facilities program has never provided a significant share of the Nation's facilities construction capital. Connie Lee's 1989 level of activity, $1.5 billion, amounts to more than half of the college facility and housing financing supported by direct Federal loan activity over the previous 25 years.

We expect that Connie Lee's activity will expand in the coming years, and that its statutory mission to assure access to financing for all postsecondary institutions will be met. This should, indeed, greatly reduce the perceived need for direct Federal loan and grant activity in this area.

RESEARCH, STATISTICS, AND IMPROVEMENT OF PRACTICE

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

USE OF RESEARCH

Question: Do you think that we do a good job of taking the findings from educational research and integrating those findings in actual practice in the classrooms?

Answer: I believe that research has contributed to the development of substantial, constructive education policies and practices throughout the country.

The General Accounting Office (GAO) reports that the effective schools literature is markedly affecting State and local policies across the Nation. The GAO surveyed a representative sample of school districts, asking "...district officials whether any of their schools operated school improvement programs based on the findings of effective schools research." District responses indicate that about 41 percent or 6,500 of the Nation's school districts had effective schools programs in operation in approximately 38,000 elementary and secondary schools during school year 1987-88. An additional 17 percent or about 2,600 of the Nation's districts have plans to implement effective schools programs during school years 1988-89 or 1989-90. The effective schools research was first conceived, conducted, and disseminated by an OERI-supported research center, and according to the GAO the school effectiveness research findings were "rapidly adopted by schools, districts, and States as models for improvement programs during the 1980s." This example comes from a report entitled, "The Impact of Research on Education Policy", prepared by a member of my staff. This paper is in the final stages of preparation, and we plan to make copies of it available by early April.

As this and other examples illustrate, findings from education research have been integrated into actual practice. However, we can do a much better job, and I have already taken steps to make this happen. First, in our announcement of the competition for 18 new national research and development centers, we are including - for the first time - a section that describes the "anticipated benefits" of the centers' work. In addition, we are competing a Center on Dissemination and Knowledge Utilization. The purpose of both these activities is to ensure that research findings are put to good use in the Nation's classrooms.

NEW INITIATIVES IN RESEARCH

Question: Mr. Cross, the budget proposal for your Office of Educational Research includes four initiatives, totalling $53 million, that have never before appeared in the Department's budget. These four initiative alone constitute a 62.5 percent increase in the budget of your office. Can you explain each of these initiatives: the Evaluation of Reform, Dropout Prevention, Principal Training, and the Follow-up to the Education Summit?

Answer: The 1991 request for the Evaluation of Reform initiative is $3.0 million. Given the resolve of the President and the Nation's Governors to pursue national performance goals in education, as well as the growing concern of the American people for improvement in the Nation's educational performance, much more information is needed about the effectiveness of the reform strategies with which States and school districts have been experimenting over the past several years, and about the elements or conditions necessary for success.

The funds requested would support the initiation of 10 to 12 evaluations of these ongoing strategies. These evaluations would require from 18 to 36 months for completion. The findings of these studies would provide important guidance about the effectiveness of different reform strategies and would be quickly and widely disseminated.

The President's $5.0 million Dropout Prevention initiative in the Research, Statistics, and Improvement of Practice account will approach and focus on dropout prevention from a research and evaluation perspective. OERI's aim is to undertake research that will result in useful information on how best to improve the academic performance of secondary school students and reduce the number of dropouts.

More specifically, the $5.0 million will be used to support a National Research and Development Center for Improving High School Completion and Academic Performance Among Disadvantaged Secondary School Students, and a grants program designed to support projects that will identify and document the effectiveness of specific approaches to improve high school completion rates and/or academic performance among disadvantaged students.

Funding of $25.0 million is requested for the President's initiative on Principal Training. This initiative is designed to improve the preparation of school principals through an intensive leadership development program, followed by a year-long mentored internship, using exemplary, experienced principals as mentors. Research has shown that the school principal is a central figure in school performance and reform. The principal's leadership becomes even more critical in the context of increased school-site management, which provides greater autonomy, authority, and accountability at the school building level. Not only is the turnover in incumbent principals expected to be unusually high in the next five to ten years, but the nature of their jobs is also changing. Yet, with few exceptions, existing programs for training principals do not focus on their critical leadership role. Moreover, there are no broadly available programs that involve persons who do not have education school backgrounds but who possess the interest and aptitude required for success as school leaders. This program would prepare exceptionally able persons, whatever their backgrounds, to be principals, and do so quickly. With the funds requested, the 1991 program would involve up to 550 trainees and an equal number of mentors.

A program would be put into place to provide six to eight weeks of residential summer institute training followed by a year-long mentorship in which the principal candidates would spend a full academic year observing and receiving on-the-job training from recognized experts. Federal funds would support the cost of the summer training and salary and related costs for the principals-to-be during the year they spend in residence at another school. Exemplary principals would also receive small grants for use at their schools. The program would be carefully evaluated.

For Education Summit Follow-up activities, $20.0 million is requested to initiate research and data collection activities growing out of the Charlottesville meeting. Now that the major goals have been set, these funds would be used primarily to extend existing data collection programs or to develop, test, and begin new ones to monitor progress toward achieving the education goals and report the results; and to support action taken by educators, policymakers, and the public to develop and implement policies and practices to achieve the education goals.

In the area of monitoring progress and reporting results, the data collections, analyses, and reports on existing surveys, such as NAEP, need to continue. However, OERI plans to design quality data collection systems to produce new information on which the public can rely. Developing new systems or expanding upon existing ones will involve a range of activities. A number of activities precede the actual data collection and analysis and reporting of new results: assessing the strengths and weaknesses of measures based on the present state of knowledge in the relevant fields; developing alternative measurement techniques and metrics; and pretesting survey instruments, procedures, and methodologies.

With respect to supporting action, empowering the American people to achieve the goals set forth by the President and the Governors involves identifying the policies and practices that work and then assisting schools and communities to implement them. For this to occur, the following activities are required: conducting and supporting research and development on how to achieve the goals; informing educators, policymakers, and the public about the results of research and practice that contribute to achieving the goals; and providing technical assistance to States and localities as they develop and implement policies and practices to achieve the national goals.

TEACHER EVALUATION CENTER

Question: In the fiscal year 1990 Education appropriation legislation, both the House and the Senate passed nearly identical language calling for the establishment of a Teacher Evaluation Center. What progress has the Department made toward fulfilling this mandate?

Answer: A Center on Teacher Performance Evaluation and Educational Accountability will be competed as part of the Educational Research and Development Centers competition currently being conducted by the Office of Educational Research and Improvement.

Question: On what date can we expect competition for the Center to begin?

Answer: The Education Research and Development Centers competition was announced in the Federal Register on March 8, 1990.

Question: When in fiscal year 1990 will a center for Teacher Evaluation be established?

Answer: The award for the Teacher Performance Evaluation and Educational Accountability Center will be made prior to September 30, 1990.

STATE-BY-STATE COMPARISONS

Question: Mr. Cross, there is a great deal of support in the States for the National Assessment of Educational Progress (NAEP). The program supports nationwide testing. It has been greatly expanded to allow us to compare the performance of students in individual States against one another for the first time. I expect Iowa will be the first on these tests just like they have been on the ACT and SAT exams. Last year this Committee provided you with considerably more money than you requested for this activity but it now appears that you may need even more money in this fiscal year to run the program. Can you assure me that the amount you are requesting in the 1991 budget will be enough to fund all of the activities anticipated by the authorizing statute for this program?

Answer: Our request in the 1991 budget will be enough to cover the activities called for by the authorizing statute for this program. At the time of our 1990 budget request, the NCES workscope for the 1990 NAEP had not been completed, and the contract had not yet been awarded. Subsequent to the request, 40 States and territories volunteered to participate in the trial State assessment instead of the 25 anticipated; the private school sample was enlarged; the Governing Board undertook a substantially larger change in design for the 1992 reading assessment than originally planned; and the terms of the contract for conduct of work by ETS were negotiated. For those reasons, we needed more money for NAEP in 1990 than had originally been estimated in the preparation of last year's budget request.

DISTRICT COMPARISONS

Question: I am told that there is a provision in the authorizing statute that disallows the use of this testing data to compare one school district with another. Do you think this is a good policy? Do you believe this prohibition should be removed?

Answer: There is a prohibition on using NAEP test data to compare one school district to another, and we, of course, are abiding by the prohibition as we conduct the trial State assessment. We understand that there is interest in removing the prohibition. If it were to be removed, we would be in favor of States or districts participating voluntarily and covering the costs of their own additional data collection and analysis. However, serious issues of confidentiality and test security would need to be discussed and resolved before any program of this type could be implemented.

LIBRARIES

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

NEW PROGRAM PURPOSES OF LSCA TITLE I

Question: Mr. Cross, I am greatly disturbed by the budget proposal for our library programs. At the same time that the House and Senate are about to go to conference on a major new reauthorization of these programs, the administration is proposing to cut funding by $98 million, a cut of 71 percent. What I find even more disturbing is that your rationale in slashing these programs completely ignores the actions taken by Congress to modernize these programs. The bills passed by both Houses would redirect State grant funds to programs that address modern problems. Right now, in many cities, we have children that are being dumped in libraries for hours at a time. Funds will be used to develop learning and Homework centers for these kids. Funds can be used for library-based drug abuse education programs for kids. Funds are also being redirected toward preservation programs and programs that expand access to new technologies.

Why are you proposing to just walk away from the Federal Government's involvement with libraries? Does the Department just think that these are not important and necessary initiatives for the Nation's libraries?

Answer: Our 1990 budget includes funds for all but two of the currently funded programs in the Libraries account, and we have even requested increases in two very important areas--library resource sharing and adult literacy training in public libraries. But the point that must be made regarding the new program purposes under the Public Library Services program you have mentioned is that the reauthorization bill doesn't "redirect" the State grant funds to these newly added program purposes--it adds the purposes to an already unwieldy list of program purposes from which States choose. There is no authority in the legislation for the Federal Government to direct States in the use of these funds, and as a result most of the funds are used for purposes other than those which we consider high priority. For example, only one-quarter of the funds are used for services to targeted populations, such as the adult illiterate, elderly, handicapped, and economically disadvantaged.

Question: Is the Department of the opinion that the Nation's libraries are so well funded that they no longer need Federal money?

Answer: The funding of public libraries is a State and local responsibility. Federal funds over the past 35 years have brought the level of access to the services of public libraries up to 96 percent, fulfilling the Federal role advanced by the Public Library Services and Construction programs.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

PRISON EDUCATION

Question: States are required to use 10 percent of their Adult Education Basic Grants for corrections education and education for other institutionalized individuals (approximately $15.8 million nationally). States can use this set-aside for mental health institutions and for prisons. Can you tell us what portion of these funds States use for prison education and what portion States use for mental health institutions?

Answer: The States have not previously been required to report this data. Beginning in 1990, however, we will be requiring the States to provide separate reports for correctional services and for other institutional services supported by adult education funds.

Question: The bill reauthorizing the Carl D. Perkins Vocational Act, S. 1109, was reported out of Committee on Labor and Human Resources on November 21, 1989. In the reauthorization of the Vocational Education Act, did you request any changes in the legislation that would target more funds toward correctional institutions?

Answer: Our approach in preparing our reauthorization proposal for the Perkins Act was guided by respect for the States' abilities to determine how best to use Federal vocational education dollars to meet State needs. Therefore, we proposed elimination of all the set-asides in the Basic State Grants program, including the set-aside for corrections education.

Question: Do you see any changes to the bill, as it is currently reported, that would increase funding in the area of prison education?

Answer: The Senate bill, S. 1109, as currently reported, would eliminate the current set-aside for corrections education. However, the bill would require States to allocate funds to correctional institutions using the same formula that would be used to compute allocations to LEAs. We believe that this formula would generate additional funds for corrections programs.

Question: The bill reauthorizing the Vocational Education Act, S. 1109 as reported, creates an Office of Correctional Education within the Department of Education. How does the Secretary envision the implementation of the Office of Correctional Education, as a program coordination unit, a provider of technical support to the field, as an advisor to the Office of the Secretary of Education?

Answer: Although no decision has been made as to the scope or placement of a corrections education function or unit within the Department, options are being proposed for the Secretary's consideration. One option would be to assign responsibility for Correctional Education to the Assistant Secretary for Vocational and Adult Education. OVAE would coordinate these programs and provide technical assistance to the States, and the Assistant Secretary would serve as the Secretary's advisor on corrections education.

Question: How can the Department of Education provide continuity in the Office of Correctional Education as well as insure that the person assigned to the position has correctional education expertise?

Answer: For over a decade, the Department has been involved with corrections education. In 1980, the National Institute of Corrections (NIC) in the Department of Justice provided a consultant, who was housed in the Office of Vocational and Adult Education, to help initiate a corrections program. Upon termination of the NIC-supported consultancy, OVAE continued to employ a corrections education specialist.

In 1983, former Secretary T.H. Bell made a commitment that the Department, through its leadership and resources, would assist State and local jurisdictions to develop, expand, and improve their delivery systems for academic, vocational, technical, social, and other educational programs for juvenile and adult offenders in order to enhance their opportunities to become law-abiding, economically self-sufficient, and productive members of society.

In 1984, an intra-departmental coordinating committee on correctional education was established to assist in bringing about greater cooperation and coordination in the Department's corrections-related programs in the areas of policy, use of existing resources, avoiding duplication of efforts and costs, and affecting a better delivery system for needed services at the State and local levels.

Over the past 10 years, through interagency agreements, NIC has transferred funds to the Department for use in the development of training seminars and conferences for State directors of corrections education and other State-level personnel from the field. Currently, with $25,000 from NIC and $70,000 from OVAE, the National Center for Education Statistics has contracted for the development of an inventory of education-related data collection instruments and procedures to be used in gathering the basic contextual and specific program data needed to identify and describe the correctional education activity in the Nation's prisons and juvenile correctional facilities.

In all, corrections education is not new to either the Department or OVAE. Although the Corrections Education Specialist position is currently vacant, staff in OVAE's three programmatic divisions are carrying out corrections education-related responsibilities under the Adult Education Act, the Perkins Act, and through the interagency agreement with NIC. With more than a decade of experience with corrections education, the Department could continue to provide leadership in this area.

Question: Would the Secretary see it as appropriate to assign the Office of Correctional Education directly to the Secretary's Office instead of one of the divisions, such as vocational education?

Answer: That might be one option. However, we generally believe that programmatic responsibilities are more effectively carried out in the Department's program offices.

Question: What would be the costs associated with setting up this new office? How many full-time-permanent positions would be required? Please provide for the record a detailed breakout of these costs?

Answer: Until decisions are made concerning the scope, placement, and support of corrections education within the Department, we cannot provide this information.

COOPERATIVE PLANNING FOR VOCATIONAL EDUCATION

Question: The Carl Perkins Vocational Education Act and the Job Training Partnership Act share the common goal of assisting the disadvantaged and dislocated prepare for and obtain employment. What steps, if any, would you propose to improve the cooperative planning and coordinating between these programs?

Answer: There are several steps -- such as developing common definitions, clarifying the specific goals of each program, and coordinating standards -- that would improve cooperative planning and coordination. Also, clarifying program philosophies, making matching requirements consistent, and working toward common planning cycles would help planning and coordination between Education and Labor programs. Several of these changes would require legislative amendments.

We have already taken several steps in the direction of better coordination. I have been working very closely with Roberts Jones, the Assistant Secretary for Employment and Training at the Labor Department. We have been sharing our views on legislative proposals in order to ensure consistency. We will do the same when we develop the vocational education regulations for the new law, and I suspect that if the new JTPA legislation is passed this year, we will have an opportunity to review those draft regulations.

In addition, in OVAE we have established several staff teams to expedite work on common goals. I have staff teams working with staff from other agencies on Apprenticeship, JOBS, and Work-Based Learning issues.

DECLINING MINORITY ENROLLMENTS

Question: While the greatest improvement in standardized test scores, such as the SAT, has been among black and Hispanic high school students, these gains have not translated into larger percentages of these students entering college. What, if any, steps is the Education Department taking to determine the root cause(s) for declining enrollments?

Answer: Census data for the past 10 years--1978 to 1988--reveal much cause for concern regarding recent trends in college enrollment for black and Hispanic students.

- Black enrollment declined slightly between 1978 and 1988, from 29.5 percent to 28.1 percent. It remains substantially below the college participation rate for white students, 38.1 percent. Although enrollment rates for black females increased slightly, from 28.2 percent to 30.5 percent, the participation rate for black males dropped sharply, from 31.9 in 1978 to 25.0 in 1988.

- College participation rates for Hispanic students increased slightly between 1978 and 1988--from 27.2 percent to 30.9 percent--but continue to lag behind the enrollment rate for white students, 38.1 percent.

Increasing the number of minority and disadvantaged students enrolling in postsecondary education--and improving their chances for success once they are enrolled--is one of the administration's most important educational goals. One of the four Presidential Management by Objectives (MBO) goals prescribed by the President for the Department is "to increase minority participation and retention in 2- and 4-year college-degree granting programs." To this end, the Department plans a number of activities: an analysis of available data on the problem to provide the basis for an action plan by the Department; a survey of participation and retention practices and procedures at higher education institutions; and a series of case studies on exemplary retention and completion practices. This activity also includes the major study of the TRIO program begun in 1990. The purpose of the TRIO program is to provide access to and promote retention in postsecondary education for minority and disadvantaged students. The 1991 budget request includes $1 million for the second year of the study. The study, which is in the design stage at present, is designed to identify and document successful intervention techniques in the Upward Bound and Student Support Services programs and to determine their effectiveness. It is scheduled to be completed in 1991.

The Department approaches the problem of declining minority enrollments on several other fronts as well:

- To provide support to minority students already in the educational "pipeline," the Department maintains a continuum of programs designed to provide academic and financial support, counseling, and improved access for minorities at all educational levels, from preschool through graduate education. At the postsecondary level, such programs include the Special Programs for the Disadvantaged (TRIO), the Strengthening Institutions and Strengthening Historically Black Colleges and Universities (Title III) programs, and the Minority Participation in Graduate Education program.

- To determine how economic and demographic trends are influencing enrollment rates and evaluate the effectiveness and impact of its programs, the Department conducts systematic surveys and studies to collect and analyze accurate data on minority access and persistence.

    - The Department's massive data collection and analysis effort includes longitudinal studies, such as High School and Beyond, conducted by the National Center for Education Statistics, which provides data on the transition from high school to college.

    - As part of the ongoing process of reauthorizing the Higher Education Act, the Department established a Work Group on Access and Retention. The work group was charged with examining the issue of minority participation, recommending new strategies to enhance enrollment, evaluating the effectiveness of major Department programs, and suggesting improvements where needed. Their recommendations will be considered by the Secretary.

- To ensure that "what works" gets into the hands of educators, administrators, and counselors in the field, the Department disseminates the results of surveys, studies, demonstration projects--such as those funded under the Fund for the Improvement of Postsecondary Education program--and effective strategies to enhance retention and completion.

INCREASING EDUCATIONAL COSTS

Question: Since 1980, tuition and fees paid by students and their families have risen between 70 and 90 percent respectively, much faster than family income. In 1980, the maximum Pell grant covered over 40 percent of the average tuition bill. Today it covers only 29 percent. During the same period, Federal student aid, adjusted for inflation, grew by just 3 percent. Are we sacrificing a basic tenant of our education policy--guaranteeing the opportunity of a higher education to all who are qualified--in order to achieve short-term budget savings?

Answer: The Federal Government has long had a commitment to helping ensure educational access for needy students. We believe that our 1991 budget request supports this commitment. Under our request for $9.5 billion for the Department's student aid programs, over $18 billion would be provided to students in 1991. The Pell Grant program, which is the most need-targeted student aid program, would alone provide for a $126 million increase in aid available in 1991 over the 1990 level.

It should also be noted that the largest increases in tuition and fees have occurred at private institutions. Between academic years 1985-86 and 1989-90, tuition and fees charged by private institutions--which were already 6 times those charged by public institutions--increased 40 percent; while these charges increased only 25 percent at public institutions. During this same period, aid available under the Pell Grant program increased 36 percent. Since more than half the students receiving Pell Grants attend public institutions, it seems that the amount of aid available under this program has increased at an appropriate rate.

Federal student aid in recent years has not just kept up with inflation, but has increased significantly. During the years 1985-86 through 1989-90, the amount of aid made available through the Department's student aid programs, in constant 1991 dollars, increased 12 percent. Aid available under the Pell Grant program for these years, in constant 1991 dollars, increased 20 percent.

EFFECT OF LOAN GRANT RATIO ON COLLEGE ENROLLMENT

Question: Federal aid has shifted dramatically from grants to guaranteed student loans, which now account for 66 percent of all aid, as opposed to only 21 percent in 1976. Consequently, student indebtedness has increased by 60 percent. Is fear of incurring massive debts taking its toll on college enrollment? Should the mix of Federal aid be changed back, placing more emphasis (and funds) on grant rather than loan programs?

Answer: When considering the grant/loan ratio, it is important to remember that both the grant and loan levels have increased significantly since the Federal Government began subsidizing postsecondary education in the late 1950's. Loans have increased faster than grants mainly because of the increase in the volume of borrowing in the major loan program--the Guaranteed Student Loan program.

Student loan burden is a growing and potentially serious problem for some borrowers, and we are proposing a significant policy reform--requiring the availability of graduated repayment schedules--to help ease repayment burdens. In 1990, the Department estimates that 61 percent of aid available to students is in the form of Guaranteed Student Loans. However, several recent studies show that student loan debt burden does not currently appear to be a problem for most students.

Additionally, we have seen no evidence that suggests any relationship between declining enrollments of needy students and the ratio of the loan to grant aid that has been available to them. During the last 10 years, the ratio of loan aid to grant aid available under Title IV has decreased slightly, from 2.2 : 1 in fiscal year 1981 to 1.9 : 1 in fiscal year 1990. During these years, the number of students assisted by these programs will have increased 19 percent, from 5 million students in 1981 to 5.93 million students in 1990.

OFFICE OF INSPECTOR GENERAL

STATEMENT OF JAMES B. THOMAS, JR., INSPECTOR GENERAL

ACCOMPANIED BY:

MITCHELL L. LAINE, ASSISTANT INSPECTOR GENERAL FOR AUDIT
THOMAS STRONG, DEPUTY ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

BUDGET REQUEST

Senator HARKIN. We will now take testimony from James Thomas, the Department of Education's Inspector General, as well as some of his Deputies. The inspector general has performed critically important work over the last few years, especially in the area of waste, fraud, and abuse in the student assistance programs. I want to compliment you for that, Mr. Thomas.

We will take a few minutes now to hear more about what he is doing in this and other areas of the Department. I am pleased to welcome you. Your statement will be made a part of the record, and if you would highlight it, I would appreciate it very much, Mr. Thomas.

INTRODUCTION OF ASSOCIATES

Mr. THOMAS. Thank you, Mr. Chairman. I would like to introduce my two colleagues. This is Mitch Laine, the Assistant Inspector General for Audit, on my right, and Thomas Strong, the Deputy Assistant Inspector General for Investigations, on my left.

With your permission, I would like to summarize, Mr. Chairman.

1991 BUDGET REQUEST

Thank you for this opportunity to be here to talk about the budget of the inspector general.

During 1991 we are requesting $25.8 million, an increase of about $2.7 million above our 1990 budget authority, and 360 full-time equivalent positions, an increase of 30 positions above the 1990 expected usage of 330.

Some 16 of the 30 additional FTE's will be assigned to perform audits, with 15 in the regions and 1 in headquarters; 11 will be assigned to the regional offices to perform investigations; and 3 to provide staff support.

Approximately $2.2 million of the increase is for salaries and benefits costs.

About $500,000 of the increase will allow us to initiate a contract for work by certified public accountants to conduct a pilot project for the mandated non-Federal audits of participating schools student aid programs, and to support increased operational costs such as ADP, equipment maintenance and services, travel, and training for new and existing staff.

FISCAL YEAR 1989 ACCOMPLISHMENTS

In fiscal year 1989, we issued or processed slightly more than 5,600 audit reports on Department operations, grantees, contractors or other participants in Department programs. These reports included about $408 million in costs questioned and recommendations for improving management and program procedures, recommendations which, if implemented, would result in better use of $274 million in program and administrative funds. Recoveries of funds for the Department as a result of audit recommendations totaled $43 million in 1989, a total of about $104 million over the past 3 years.

Our investigations led to 214 indictments, 203 convictions and pleas, and three civil filings in 1989. In addition, 17 individuals or entities were debarred from doing business with any Government agency, and 10 were suspended.

STUDENT FINANCIAL AID PROGRAMS

Because the SFA area is the most vulnerable to fraud and abuse, we are concentrating about 75 percent of our audit and investigative staff time, which is approximately 200 staff years of effort, that remains after meeting our mandated activities, to identify causes of student financial aid problems and potential solutions, as well as to auditing and investigating those alleged to be misusing Federal student aid funds. Our work in the student aid arena has been particularly focused on privately owned, for-profit—that is, proprietary—trade schools at which there are disproportionately high default rates or other indicators of abuse.

During 1989 we continued to identify schools that abuse the Department's student aid programs. Some examples of abuse include: overstating course length or padding courses, as you alluded to in the earlier hearing, with unnecessary hours in order to qualify for student financial aid funds; admitting students to federally funded training programs without proper screening to assure that the students have the basic skills needed to benefit from that training; and closing down before students have a chance to complete their training, leaving the students with loan debts they have no means to repay.

In the last 3 years, OIG auditors have completed 54 audits involving proprietary schools or their owners, officers or employees. These audits questioned costs of about $116 million, not including unsupported costs; 30 of the audits, more than one-half, were issued during fiscal year 1989. The recommendations contained in these reports accounted for more than two-thirds of the 3-year total, or about $76 million. Our investigations over the 3-year period have resulted in indictment of 21 owners, 3 officers, 63 employees and 3 proprietary school entities, and conviction of 15 owners, 1 officer, 36 employees, and 2 proprietary school entities. Over one-half of these actions occurred during the last fiscal year.

PREPARED STATEMENT

Mr. Chairman, that completes the summary of my statement. My colleagues and I will be happy to attempt to answer your questions.

[The statement follows:]

STATEMENT OF JAMES B. THOMAS, JR.

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss our fiscal year 1991 budget request for salaries and expenses for the Office of the Inspector General.

The Office of the Inspector General (OIG) was established to promote economy and efficiency and to detect fraud, waste and abuse in Federal education activities. We have the authority to inquire into all programs and administrative activities of all parties performing under contracts, grants, and other agreements with the Department. We play a key role in the Department's efforts to reduce defaults and other abuses in the Student Aid programs.

In 1989 and 1990, we have designated a substantial portion of our resources toward continuing to identify, and to remove from participation, those institutions and individuals who are abusing the Federal Student Aid programs. We have also focused significant effort on identifying the causes of and possible systemic solutions to the problems we identify in this area. This work has already resulted in significant benefits of an immediate nature to the Department and the taxpayers. The ultimate success, however, of our long-term effort to protect the integrity of the Nation's investment in higher education, now and for the future, will depend upon our ability to pursue aggressively this important effort whose benefits are just beginning to be realized.

FISCAL YEAR 1991 REQUEST

For 1991, we are requesting $25.8 million, an increase of about $2.7 million above our 1990 budget authority, and 360 full-time equivalent positions (FTE), an increase of 30 positions above our 1990 expected usage of 330.

Sixteen of the additional 30 FTE would be assigned to perform audits, with 15 of the FTE assigned to regional offices and 1 assigned to headquarters. Eleven of the additional FTE would be assigned to regional offices to perform investigations, and 3 FTE would provide staff support.

Approximately $2.2 million of the increase is for salaries and benefits costs. Over $1.5 million of this increase is to support the additional 30 positions. The remaining $600,000 of the salaries and benefits increase is for built-in costs such as: annualization of the 1990 pay raise, the proposed 1991 pay raises, employee within-grade and merit pay increases, career ladder promotions, an additional paid day in 1991, and increases in benefits costs. The remaining increase of about $500,000 will allow us to initiate a contract for work by Certified Public Accountants to conduct a pilot project for the mandated non-Federal audits of participating schools' Student Financial Aid funds, and to support increased operational costs such as ADP equipment maintenance and services, and travel and training for new and existing staff.

FISCAL YEAR 1989 ACCOMPLISHMENTS

In fiscal year 1989, we issued or processed 5,654 audit reports on Department operations, grantees, contractors, or other participants in Department programs. One hundred thirty-five of these reports were prepared by OIG auditors and 5,519 were prepared by non-Departmental auditors and were reviewed by OIG. Of the total $408 million in costs questioned in audit reports, $389 million, or 95 percent, was contained in reports prepared by OIG auditors. This, we believe, is a direct result of our efforts to focus audits on problem areas. Audit reports issued or processed in fiscal year 1989 also contained recommendations for improving management and program procedures -- recommendations which, if implemented, would result in better use of $274 million in program and administrative funds. Recoveries of funds by the Department as a result of audit recommendations totalled $43 million in 1989, and $104 million over the past three years.

The following are examples of recent audit recommendations:

- One of our audits on the Department's Student Financial Assistance programs recommended, in a report issued last year, that a Missouri college refund more than $16 million in Student Aid funds awarded to students enrolled in ineligible extension programs, plus an additional $3.2 million in interest and special allowances paid on loans.

- Another OIG audit recommended that a Detroit school refund over $10 million in Student Aid funds because the school did not administer the programs in accordance with applicable laws and regulations.

Our investigations led to 214 indictments, 203 convictions and pleas, and 3 civil filings in 1989. In addition, 17 individuals or entities were debarred from doing business with any Government agency and 10 were suspended. The following examples provide a brief illustration of our investigative activities:

- As a result of our investigative effort, a Florida bank was charged last year in a 43-count indictment with submitting, through its officers and employees, up to 17,000 fraudulent insurance claims worth about $35 million for principal and accrued interest on loans under the Guaranteed Student Loan program.

- Our investigative efforts resulted in last year's conviction and sentencing of a beauty school owner on 35 felony counts involving student aid fraud, false statements and embezzlement. The school owner was sentenced to 12 years in prison and ordered to pay $323,000 in restitution.

- Also in 1989, as a result of a joint investigation by our office and a State Attorney General's Office, a $1 million civil complaint was filed against a school, two of its officers and the schools' accrediting agency, charging the school with luring low-income or minority students into debt with false promises of well-paying jobs.

Student Financial Assistance Project

Because the student financial assistance area is the most vulnerable to fraud and abuse, we are concentrating 75 percent of our audit and investigative staff time, approximately 202 FTE, that remains after meeting our mandated activities, to identifying causes of Student Financial Aid problems and potential solutions, as well as to auditing and investigating those alleged to be misusing Federal student aid funds. Our work in the Student Aid arena has been particularly focused on privately owned, for-profit -- that is, proprietary -- trade schools at which there are disproportionately high default rates or other indicators of abuse.

During 1989, we continued to identify schools that abuse the Department's Student Aid programs. Some examples of abuse include: overstating course length or padding courses with unnecessary hours in order to qualify for Federal Student Financial Aid funds; admitting students to federally funded training programs without proper screening to assure that the students have the basic skills needed to benefit from the training; and closing down before students have a chance to complete their training, leaving the students with loan debts they have no means to repay.

In audit reports issued during fiscal year 1989, we recommended recovery of over $13 million from two schools that failed to provide courses that meet Federal course-length requirements, while over $10 million was recommended for recovery from three schools that did not meet Federal ability-to-benefit requirements.

Our analysis of the ability-to-benefit provision and related admissions practices reported recurring abuses by certain proprietary schools, including falsification of evidence of students' high school completion; alteration of test scores; use of unauthorized and unauthentic tests; and improper administration of tests by commissioned sales persons who are compensated based on student enrollments rather than on course completion or job placements.

Our audit of the Department's financial analysis system for certification of schools participating in Federal Student Financial Aid programs disclosed that the Department's procedures were not adequate to protect the students' or Government's interest in Student Aid funds. For example, between October 1985 and June 1988, students lost a total of $30 million in Federal loans and grants due to the closure of 53 schools in mid-course, before all educational services were received by the students. We recommended several management improvements, including the development of Department policy that would require participating schools to have surety arrangements, such as bonds or escrow accounts, at a level sufficient to cover both student and Government risk of loss.

In the last three years, OIG auditors have completed 54 audits involving proprietary schools or their owners, officers or employees. These audits questioned costs totalling $116 million, not including unsupported costs. Thirty of those audits -- more than half -- were issued during fiscal year 1989. The recommendations contained in these reports accounted for more than two-thirds of the three-year total, or about $76 million. Our investigations over the three-year period have resulted in indictment of 21 owners, 3 officers, 63 employees, and 3 proprietary school entities, and conviction of 15 owners, 1 officer, 36 employees, and 2 proprietary school entities. Over half of these actions occurred during the last fiscal year.

Other Activities

In 1989, we closed 109 complaints received on the OIG Hotline. These complaints alleged fraud, waste, or mismanagement of Federal funds by school officials, students, or Department employees. Of the 109 complaints closed, 24 were substantiated and resulted in corrective action by the Department.

Mr. Chairman and members of the Committee, this concludes my statement. I will be happy to respond to any questions the Committee may have.

BIOGRAPHY OF JAMES B. THOMAS, JR.

POSITION : Inspector General

BIRTHPLACE AND DATE : Tallahassee, Florida, March 16, 1935

EDUCATION : B.S., Business Administration, Florida State University, 1957
Graduate Study, Florida State University, 1957-1960
Federal Executive Institute, Charlottesville, VA, 1973

EXPERIENCE :
PRESENT : Inspector General, Department of Education (Deputy Inspector General from January-March 1981)

1977-1980 : Director, Bureau of Accounts, Interstate Commerce Commission
1975-1977 : Inspector General, U.S. Department of Housing and Urban Development
1972-1975 : Assistant Director, Bureau of Accounts, Interstate Commerce Commission
1960-1971 : Trainee through Assistant Director, Audit Operations Division, U.S. Department of Housing and Urban Development
1959-1960 : Senior Auditor, Office of the State Auditor, Tallahassee, Florida
1959 : Auditor, J.D.A. Holley & Co., CPA Firm, Tallahassee, Florida
1958 : Special Auditor, Office of the State Comptroller, Tallahassee, Florida

PROFESSIONAL QUALIFICATIONS : Certified Public Accountant, Florida, since 1962
Certified Internal Auditor, since 1973
Lecturer, Southeastern University, Interagency Auditor Training Center

STUDENT FINANCIAL AID PROGRAMS

Senator HARKIN. I appreciate that very much, Mr. Thomas.

Well, as you know, we are very interested in what you are doing in the student assistance area. So, 75 percent of your funds are devoted to this area and how many full-time staff?

Mr. THOMAS. A little over 200 staff years of effort, Mr. Chairman, we devote to student aid activity, primarily in the proprietary school and related areas.

Senator HARKIN. How many people do you have total in your shop?

Mr. THOMAS. For 1990 we are funded at 330.

Senator HARKIN. How any of those people would you say are devoted mostly, mainly to the student financial institution——

Mr. THOMAS. Well, just over 200.

Senator HARKIN. Oh, I see. Just 200.

Mr. THOMAS. Yes, sir.

Senator HARKIN. I see, OK.

Last year we provided some additional funds in the Emergency Supplemental Appropriations Act to do some enhanced oversight in the area of student loan defaults. How were these funds used, and what were the findings of your study that you conducted with that contract?

Mr. THOMAS. The primary use of those funds, Mr. Chairman, was to start a program of trying to leverage the staff that we have on board by entering into a contract with a national CPA firm. The prime purpose of that contract was to do some surveys of a number of lending institutions. We have done 22 surveys of lending institutions now. The results have begun to come in, and we are now in the process of analyzing those results.

The purpose of this, of course, is to get a better feel for how well those organizations are carrying out their responsibilities for the student loan programs. We have begun to find some problems in the lender area, and we want to have a better handle on it because of the significant volume of money that goes through there and the kinds of problems that we have found at certain lending organizations. This will help us better target the use of our own staff.

STATE PER-PUPIL EXPENDITURE DATA

Senator HARKIN. Earlier in the year, you reported that the Department was using data for processing the payments for the chapter 1 program that was significantly flawed.

What can you tell us about how the Department is following up on your recommendation in that area and addressing this problem?

Mr. LAINE. The audit was one we had labeled the State per-pupil expenditure audit, and it was concerned with data affecting chapter 1 and other programs. At this point in time, the Department has indicated to us that they do agree with the recommendations in that report and are in the process of taking action and in some case just studying how best to take the appropriate action. They have responded very positively.

POSTSECONDARY COURSE LENGTH

Senator HARKIN. You are looking at the length of time of some of these programs, how they are stretching out the length of time.

Mr. THOMAS. In the student aid area?

Senator HARKIN. Yes.

Mr. THOMAS. Yes, sir; we are finding that quite a bit.

Senator HARKIN. Since there are not any real guidelines in that area—I mean, you have not had any indictments in the area of course lengthening?

Mr. THOMAS. I don't believe we have had any indictments at this point, Mr. Chairman. What we have done is issued some management improvement reports and made some recommendations to Assistant Secretary Haynes and others who were here at the earlier hearing.

The thrust of what we are saying is that the Department should do a study to find out what training is required for these different professions that are licensed by the different States, and then provide guidance on the length of courses that the Department is willing to use Government money to finance.

This may require some legislation. We are uncertain yet. It is a recently issued report to the program, and we have not yet received an opinion from counsel on whether they can do that with existing legislation or not. If we can't, I am sure they will be back to you on the substantive committee to try to change it.

Senator HARKIN. I don't really have anything more to discuss other than just to say that we want to work closely with you as we go through the year. Specifically on the student financial aid program, especially the assistance programs, the lengthening of courses, and the recommendations that we made earlier today that are regulatory. We are going to get through on the legislative end also, and work with you closely on any recommendations you may have for us to change some of the legislative parameters. Let us know.

Mr. THOMAS. We appreciate that, sir.

Senator HARKIN. Thank you very much, Mr. Thomas. Thanks for the fine job you are doing down there.

Mr. THOMAS. Thank you very much, Mr. Chairman. It's a pleasure.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Office for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ADMINISTRATION OF STUDENT AID PROGRAMS

Question: General Thomas, as you are aware, the Committee is very interested in the work you have been doing in the student assistance area. Last year, we provided you with some additional funds in the Dire Emergency Supplemental Appropriations Act to do some enhanced oversight in the area of student loan defaults. What can you report to us on how these funds were used and what were the findings of your study conducted with that particular contract?

Answer: We used the additional funds to enter into a contract with a national CPA firm to do some surveys of a number of lending institutions, to hire additional staff, to fund travel costs for staff, and to purchase ADP equipment and software. Under the contract, 22 surveys of lending institutions were performed. The purpose of the surveys was to review the lender's administration of the loan programs in accordance with our Lender Survey Guide and determine whether any deficiencies identified were serious enough to warrant further review by OIG. Based on the 16 surveys completed as of January 25, 1990, the contractor recommended no additional work at 12 lenders, and additional work at three lenders and one secondary market. We intend to follow up in these 4 cases. The deficiencies identified included problems such as inadequate audit trails to verify amounts shown on the Interest and Special Allowance Requests; errors indicating inadequate supervision over the billing process; inadequate supporting documentation; incorrect computation of average daily balances; inadequate loan collection due diligence; and inadequate audit trails to support average principal balances.

Question: You have also conducted a series of vulnerability reviews, in the student aid area, to report the systemic problems in the administration of the student aid program. Can you report to us on which of these reviews have been completed to date and what were your findings?

Answer: We have issued the following memorandum, audit report, and Management Improvement Reports (MIRs) as a result of our SFA efforts. These represent our results to date. They are too lengthy to be inserted in the record but have been provided to the Committee.

-- ACCREDITATION/ELIGIBILITY/CERTIFICATION

"Summary of Concerns Noted to Date with Institutional Accreditation, Eligibility and Certification Processes," memorandum issued 2/14/90

"Need to Strengthen Internal Control Over Appearances of Conflict of Interest With National Advisory Committees," Management Improvement Report (MIR) 90-4, issued 12/20/89

"Financial Analysis Certification Process Not Adequate to Protect Students and Government, "ACN 11-80160, audit report issued 9/15/89

"The Office of Postsecondary Education's Institutional Data System Needs Improvement," MIR 90-1, issued 11/3/89

-- COURSE LENGTH/COURSE STRETCHING

"ED Has Determined Certain Institutions to be Eligible for the SFA Programs Without Verifying Data on Course Length," MIR 89-02, issued 9/27/89

"Stretching of Training Programs Beyond the Length Needed to Prepare Students for Gainful Employment," MIR 89-09, issued 9/27/89

"Clock Hour Programs Being Assigned Unreasonable Credit Hours," MIR 90-14 issued 2/21/90

-- ABILITY TO BENEFIT/ADMISSIONS PRACTICES

"Improving Ability to Benefit Determinations and Related SFA Admissions Practices in the Department's SFA Programs," MIR 90-02, issued 11/15/89

-- BRANCH CAMPUSES

"Unrestricted Branching is Detrimental to Students and Taxpayers," MIR 90-13 issued 2/20/90

-- DUE DILIGENCE

"Extensive Non-compliance by Lenders with the Department of Education's (ED's) Guaranteed Student Loan Program Due Diligence Requirements," MIR 90-09, issued 2/14/90

"Improving the Department's Oversight of Secondary Markets," MIR 90-6, issued 2/14/90

"Controls Needed Over the Use of Third Party Servicers in the Guaranteed Student Loan Programs," MIR 90-12, issued 2/14/90

"Standards Needed to Strengthen Guarantee Agency Lender Reviews," MIR 90-07, issued 2/14/90

"Improving the Supplemental Loans for Students (SLS) Program," MIR 90-11, issued 2/14/90

"Weaknesses in Disbursing PLUS Loan Checks Directly to Borrowers," MIR 90-08, issued 2/14/90

-- LOAN ORIGINATION FEES

"Proposed Procedure to Ensure Payment of Loan Origination Fees for Stafford Loans," MIR 90-10, issued 4/90

RESPONSIVENESS TO OIG RECOMMENDATIONS

Question: As part of these reviews, as in all system reviews conducted by your office, you make recommendations to the Secretary on how certain vulnerabilities might be eliminated. What can you tell me about the responsiveness of the Secretary and the Assistant Secretaries to your recommendations in a variety of areas?

Answer: I have found the Secretary very responsive and supportive of the work of the OIG. We have worked with Assistant Secretaries in improving the audit resolution processes. The Department has established an audit resolution working group at the staff level to facilitate these efforts.

In addition, the Secretary has recently established a Committee on Audit Follow-up and Internal Control Review. The purpose of the Committee is to assure involvement of top managers in correction of deficiencies identified through audits and internal control assessments. The group will assure that corrective actions planned and taken are sufficient to resolve problems identified. This Committee is chaired by the Under Secretary with the Inspector General, the Deputy Under Secretary for Management, the Deputy Under Secretary for Planning, Budget and Evaluation, and the General Counsel as permanent members. Other senior officers will serve on a rotating basis. Based on the two meetings to date, I believe this Committee will have a significant impact on responsiveness to our audit findings.

OTHER AREAS OF OIG INTEREST

Question: In what other areas are you seeking to impact legislation, regulation, or program management in the Department?

Answer: We are seeking to impact legislation, regulation or program management in the Department directly or indirectly in all of our audits and investigations. Areas of particular concern, in addition to the student aid area, include: program monitoring and accountability; contract and grant awards and closeouts; financial management; material weaknesses identification and audit follow-up; and activities of the Office of Special Education and Rehabilitative Services.

In addition, we currently have underway or have issued significant audits in the area of migrant education, Chapter 1 allocations, handicapped education, and vocational rehabilitation.

Question: In addition to the student aid areas, what other vulnerable program areas have you found in the Department, and what steps are you taking to address those?

Answer: In addition to student aid, we have identified the following vulnerable program areas.

1. Program Monitoring and Accountability. We have planned a review of program monitoring for various Department programs as well as specific audits on individual programmatic issues.

2. Contract and Grant Awards and Closeouts. We are conducting a series of audits in this area including one focusing on procedures used for the closeout of grants and contract awards.

3. Financial Management. We are conducting a series of audits of the Department's financial systems. Included is a review, in cooperation with GAO, of the Student Loan Insurance Fund.

4. Material Weaknesses Identification and Audit Follow-up. We have made recommendation to the Department for improvements in the internal control and audit follow-up process. In addition, we are working to develop new procedures for tracking to assure that corrective actions are in fact taken.

5. Office of Special Education and Rehabilitation Services. GAO has recently conducted a review in this area and made appropriate recommendations.

Question: What auditing efforts has your office provided over the Department's accounting systems during the past fiscal year and what additional efforts are planned?

Answer: In the past year, we have conducted reviews covering the following:

1. campus-based accounting system;

2. eight (8) subsidiary systems that feed data into the general ledger (done jointly with the Office of Management);

3. check cancellation procedures; and

4. controls over collection contractors.

Future planned additional efforts include:

1. review of the student loan insurance fund (done in coordination with GAO);

2. review of the accuracy of the general ledger balances and reports prepared for the Department of Treasury;

3. Indian education accounting subsystem; and

4. our review of various aspects of accounting for receivables, write-offs, and collections.

STATE PER-PUPIL EXPENDITURE DATA

Question: Earlier in the year, General, you reported that the Department was using data, for processing the payments for the Chapter 1 program, that were significantly flawed. What can you tell us about how the Department is following up on your recommendation in that area and addressing the problem?

Answer: We recently completed a nationwide audit conducted to assess the accuracy of the data reported to the Department by the States and the adequacy of the procedures and controls used by the Office of Educational Research and Improvement to assure that the data used for the allocation of Chapter 1 funds were accurate. As detailed in our Semiannual Report to the Congress # 19, the audit revealed deficiencies in every segment of the data collection process. We made recommendations for the development of controls and written procedures to assure the accurate preparation of State data reports. Action on the recommendations is being taken by the appropriate offices within the Department.

OIG HIGHLIGHTS

Question: General, what other highlights do you want to call attention to in terms of your work this past year and in the coming year?

Answer: Obviously, a majority of our efforts have been focused on the student aid programs area and we have had significant results in that effort as described above. We nevertheless also have focused on a number of issues in other areas needing attention. These include information systems and accounting systems in the Department, as described above, and the monitoring systems in many of the Department's programs.

I would expect that these areas will continue to demand significant portions of our time in the next year, particularly the student aid area as the Higher Education Act reauthorization effort progresses.

SUBCOMMITTEE RECESS

Senator **HARKIN**. Thank you very much. The subcommittee will stand in recess until 1:15 p.m., Monday, February 26, when we will meet in SD-192 to hear from a number of related agencies under the jurisdiction of the subcommittee.

[Whereupon, at 3:50 p.m., Monday, February 21, the subcommittee was recessed, to reconvene at 1:15 p.m., Monday, February 26.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

MONDAY, FEBRUARY 26, 1990

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 1:25 p.m., in room SD-192, Senate Dirksen Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senator Harkin.

ACTION

STATEMENT OF JANE A. KENNY, DIRECTOR

ACCOMPANIED BY:
PAUL T. WEISS
GARY KOWALCZYK

OPENING REMARKS

Senator Harkin. Good afternoon. The Subcommittee on Labor, Health and Human Services, Education, and Related Agencies will come to order.

This afternoon we will hear testimony from several of the related agencies under the jurisdiction of the subcommittee. Today we will hear from 8 of our 20 related agencies. First will be the ACTION agency, followed by the National Council on Disability, the Federal Mediation and Conciliation Service, the National Mediation Board, the Railroad Retirement Board, the Federal Mine Safety and Health Review Commission, the National Labor Relations Board, and last, the Occupational Safety and Health Review Commission.

Jane Kenny, the Director of ACTION, is our first witness. Ms. Kenny, I see you are requesting $19,424,000 for fiscal year 1991, an increase of $16.7 million, or about 9.5 percent over last year. I would also like to say I appreciate your assistance in getting a Senior Companion Program started in Sioux City last year, which is up and running successfully.

Following any opening statement Senator Specter may wish to make we would like you to introduce your colleagues, and summarize your opening statement. Your full statement will be included in the record.

Ms. Kenny, welcome and please proceed.

BUDGET REQUEST

Ms. KENNY. Thank you, Mr. Chairman.

Mr. Chairman, I am pleased to appear before you today to discuss the fiscal year 1991 budget request for ACTION. With your permission, Mr. Chairman, I have a statement that I would like to have inserted into the record. I will now summarize the key points in that statement.

The request totals $192.4 million, an increase of $16.8 million or 9.5 percent above amounts available in fiscal year 1990. With these in fiscal year 1991, ACTION will carry out its fundamental mission to stimulate voluntary citizen participation in community-based efforts to meet the needs of the poor, the disadvantaged, and the elderly. This budget request reflects the administration's strong commitment to fostering voluntarism across the Nation.

In fiscal year 1991, ACTION's programs will support approximately one-half million diverse volunteers, old and young, low income and financially able, stipended and nonstipended, full time and part time, students and workers—who will engage in a wide variety of programs and projects such as home care for the elderly, literacy enhancement, drug abuse prevention and education, assistance for at risk youth, and housing projects for low-income families.

Our budget fully implements the major provisions of the Domestic Volunteer Service Act Amendments of 1989. Indeed, these amendments were a cornerstone for the development of the proposals that are before you today.

VOLUNTEERS IN SERVICE TO AMERICA

Turning to our specific programs, for VISTA our request of $31.6 million, an increase of $6.5 million or 26 percent will support a number of provisions contained in the Domestic Volunteer Service Act Amendments of 1989, including: Some 3,000 volunteer service years, an increase of 200 above the anticipated fiscal year 1990 level of 2,800; subsistence allowances at an average of 105 percent of the poverty line for our volunteers; increases in the stipend for volunteers from $75 to $90 per month; and a provision of 1.5 percent of available sums to expand public awareness and recruitment activities.

In addition, the VISTA budget includes increases of $1.4 million for expenses related to the health contract for volunteers and proposes to expand training by more than $500,000 to increase primarily the preservice training available to VISTA volunteers.

LITERACY CORPS

We propose to double the amount of funding for the Literacy Corps in 1991 in order to expand the volunteer efforts designed to overcome the problems of illiteracy in this country. With these funds, we will increase the volunteer service level to 575 volunteer service years.

STUDENTS COMMUNITY SERVICE PROGRAM

We are proposing an increase of $872,000 or 98 percent for the Student Community Service Program. ACTION is committed to tapping volunteer resources found among the Nation's youth, and student community service projects are a proven and effective vehicle for accomplishing this goal. In this regard I am pleased to note, Senator, that Grinnell University, one of our current student community service projects, was recently featured in the "Campus Life" section of the Sunday New York Times. The headline read, "Grinnell Students Skip Vacation Pleasures to Serve the Poor and the Homeless."

Unlike any other federally funded program directed at students, the Student Community Service Program supports volunteers who receive no renumeration or tuition assistance and provide assistance only to low-income communities.

SPECIAL VOLUNTEER PROGRAMS

Our budget includes also $2.2 million for the funding of grants related to combating substance abuse through Special Volunteer Programs. In the aggregate, ACTION expects to spend approximately $9.6 million for this activity in fiscal year 1991, an increase of 4 percent above the estimated amount in fiscal year 1990.

OLDER AMERICAN VOLUNTEER PROGRAMS

For the Older American Volunteer Programs, we are requesting $120.5 million, an increase, after adjustment for transfers, of $3 million over comparable 1990 levels, or 2.6 percent.

The major budget increase is to support a growth in stipends for low-income volunteers from $2.20 to $2.35 per hour in both the Foster Grandparent and Senior Companion Programs. This increase was authorized under the Domestic Volunteer Service Act Amendments of 1989. It should be noted that the last previous stipend increase occurred in 1983.

OFFICE OF THE INSPECTOR GENERAL

In fiscal year 1991 we are funding ACTION's Office of the Inspector General as a separate activity with the total request being $1.1 million and 13 positions. In the past, the functions of the inspector general were supported from the other budget activities within ACTION's appropriation.

PROGRAM ADMINISTRATION

For program administration, we are requesting $29.2 million. This request supports a level that is essential to ensure sound administration of ACTION's programs as well as to carry out certain recruitment and public awareness functions contained in the 1989 amendments to the Domestic Volunteer Service Act.

The majority of the increase will restore the agency to the full-time equivalent position level of 448, a level recognized by Congress in the previous fiscal year as essential for effective management and administration, and provide for 13 new positions devoted to

VISTA recruitment activities in accordance with the 1989 amendments to Domestic Volunteer Service Act.

Hiring will occur primarily in the regional and State offices to enhance program development, the recruitment of volunteers and project monitoring.

Mr. Chairman, that summarizes ACTION's budget request for fiscal year 1991. With your permission, however, I would like also to take this opportunity to introduce the newly appointed Assistant Director for the Older American Volunteer Programs, Connie Burns.

Connie, would you stand?

Ms. Burns comes to ACTION from the Brockton Coalition for the Homeless in Brockton, MA, where she has been executive director since 1987. From 1976 to 1986 she served as nutrition project director and assistant to the executive director for the Old Colony Elderly Services in Brockton. In addition to being a licensed social worker, she has a master of business administration degree as well as a bachelor of art's degree in biology. We are very pleased to have her join the ACTION staff effective March 12.

PREPARED STATEMENT

That concludes my statement, Mr. Chairman, and I am now available to answer any questions that the committee may have.

[The statement follows:]

STATEMENT OF JANE A. KENNY

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the Fiscal Year 1991 budget request for ACTION.

Our budget request totals $192.4 million, an increase of $16.8 million, or 9.5%, above amounts available in Fiscal Year 1990. With these monies in Fiscal Year 1991, ACTION will carry out its fundamental mission to stimulate voluntary citizen participation in community-based efforts to meet the needs of the poor, the disadvantaged, and the elderly.

This budget request reflects the Administration's strong commitment to fostering voluntarism across the Nation, including the creation of public/private partnerships to address the needs of local communities. ACTION, through support of established programs and encouragement of local volunteer efforts, will continue to challenge all Americans to use their energy, innovative spirit, experience and skills to the fullest advantage to address critical needs of communities and the Nation.

In Fiscal Year 1991, ACTION's programs will support approximately one-half million diverse volunteers--old and young, low income and financially able, stipended and non-stipended, full-time and part-time, students and workers--who will engage in a wide variety of programs and projects, such as home care for the elderly, literacy enhancement, drug abuse prevention and education, assistance for at-risk youth, and housing projects for low income families. As in the past, the programs we support will be defined, developed and implemented by local communities, thereby assuring that their needs are being addressed.

ACTION's basic goals, as reflected in the 1991 budget, are as follows:

1. Provide leadership as the federal domestic volunteer agency by expanding and promoting volunteerism nationwide.

2. Develop and sustain standards of excellence in existing programs.
3. Develop greater financial self-sufficiency of ACTION funded programs.
4. Develop, test, and promote innovations in volunteerism.
5. Enhance systems for volunteer recruitment, training, and placement.
6. Enhance and enrich the quality of life of ACTION funded volunteers.

I will now summarize the major components of the budget.

Volunteers in Service to America (VISTA)

For VISTA, our request of $31.6 million, an increase of $6.5 million, or 26%, will support a number of provisions contained in the Domestic Volunteer Service Act Amendments of 1989, including:

- 3,000 volunteer service years, an increase of 200 above the anticipated FY 1990 level of 2,800.
- Increases in the subsistence levels for individual volunteers of over 9% above 1990 levels, thereby providing subsistence at 105% of the poverty line for an individual.
- Increases in the stipend for volunteers from $75 to $90 per month.
- Provision of 1.5% of available sums to expand public awareness and recruitment activities.

By supporting 3,000 volunteer service years under the VISTA program, we will increase the size of the regular program by over 15% over a two-year period, FY 1989-91. Further, when combined with the VISTA Literacy Corps, the volunteer service years supported within VISTA will total 3,575 in 1991; this represents an increase of 450, or 14%, above 1990 levels, and 22% above the level achieved in 1989.

In 1991, the average subsistence allowance under the VISTA program will be $566 per month, an increase of $49, or 9.4%, above the level available in 1990. In accordance with the Domestic Volunteer Service Act Amendments of 1989, allowances in 1991 will be adjusted to reflect differences in the cost of living.

The increase in the stipend, from $75 to $90 per month, will increase the amount a volunteer completing an assignment after twelve months of service will receive--from $900 to $1,080.

For public awareness and recruitment activities, we anticipate spending $473,000 in 1991. We have recently established the position of Administrator for Recruitment and Placement within the VISTA Office in order to improve awareness of the program, increase the size and quality of the applicant pool of volunteers, and strengthen the Agency's ability to match the needs of projects with applicants' talents.

In addition, the VISTA budget includes increases of $1.4 million for expenses related to the health contract for volunteers. This represents an increase in the cost per volunteer over two years of 45%, reflecting primarily the escalating costs in the health industry. Further, our budget proposes to expand training by more than $500 thousand to increase primarily the amount of preservice training available to VISTA Volunteers. Additional training is essential if we are to provide projects with Volunteers having up-to-date skills who are capable of providing high quality service.

As in the past, VISTA Volunteers will focus their efforts on the needs of low-income people, including projects designed to address the problems of at-risk youth, illiteracy, unemployment, hunger, substance abuse, and homelessness.

Literacy Corps

We propose to double the amount of funding for the Literacy Corps in 1991 in order to expand greatly the volunteer efforts designed to overcome the problems of illiteracy in this country. With this increase, we will provide greater support for existing Volunteers, including the same increases for subsistence allowances, stipends, training, and public awareness as are requested for other VISTA Volunteers. In addition, we will increase the number of volunteers to approximately 750, for a volunteer service year level of 575, an increase of 250, or 77%, above 1990 levels.

Volunteers under the Literacy Corps program will focus their activities on projects where they serve as mobilizers and catalysts in recruiting and training community volunteers to provide tutoring and other literacy promoting functions. As in the past, Volunteers funded by the regular VISTA appropriation will also participate in literacy projects.

Student Community Service Program

We are proposing $1.8 million, an increase of $872,000 or 65%, for the Student Community Service program. ACTION is committed to tapping volunteer resources found among the Nation's youth, and student community service projects are a proven and effective vehicle for accomplishing this goal. Unlike any other federally funded program directed at students, the Student Community Service Program supports volunteers who receive no remuneration or tuition assistance and provide assistance only to low income communities.

Under this program small grants are given to colleges, universities, secondary schools, and other non-profit organizations to act as a stimulus in the promotion of student volunteer activities. Students direct their volunteer activities to address the needs of low income individuals in the community in which the institution is located.

Special Volunteer Programs

Our budget includes $2.2 million for the funding of grants to combat substance abuse through volunteer programs.

These grants are awarded to non-profit organizations engaged in addressing the serious problems of illicit drug abuse, primarily in low-income communities, through voluntary efforts.

Self-help programs include illicit drug awareness and education activities, as well as efforts to make communities safe through enforcement activities.

ACTION's drug abuse program is an integral part of the Administration's overall effort to curtail substance abuse. In the aggregate across all of our programs, ACTION expects to spend approximately $9.6 million for this activity in FY 1991, an increase of 4% above the estimated amount in FY 1990.

Older American Volunteer Programs

For Older American Volunteer programs, we are requesting $120.5 million, an increase of $2.7 million, or 2.3%, above amounts available in FY 1990.

The major budget increase is to support a stipend increase for low-income volunteers, from $2.20 to $2.35 per hour, in both the Foster Grandparent and Senior Companion programs. This increase was authorized under the Domestic Volunteer Service Act Amendments of 1989; the most recent stipend increase occurred in 1983.

In FY 1991 we are requesting $31.5 million for the Retired Senior Volunteer program (RSVP), $62.1 million for the Foster Grandparent program (FGP), and $26.9 million for the Senior Companion program (SCP). RSVP promotes voluntarism and involves retired Americans in using their skills in projects important to the community. FGP supports low-income volunteers in providing one-to-one assistance to children with special or exceptional needs. SCP provides older low-income persons the opportunity to provide personal assistance and companionship to older persons with physical, mental, or emotional impairments which put them at risk of institutionalization.

In Fiscal Years 1990 and 1991, under these programs we will implement certain provisions of the Domestic Volunteer Service Act Amendments of 1989, including (1) Carrying out programs of national significance, where at least one-third of the funds appropriated above the level necessary to maintain the number of projects and volunteers funded in the prior year are spent on certain national priorities; (2) Earmarking $250,000 on promotional activities; and (3) Considering the impact of inflation on the needs of projects' administrative costs.

In addition, ACTION will continue to explore partnerships with other agencies and organizations in order to carry out the purposes and intent of the Older American programs. For example, in Fiscal Year 1990 we will enter into an agreement with the Administration on Aging (AoA) to undertake a joint effort in the Senior Companion Program to assist seniors 80 years of age and older. Grants under this effort will require matching funds from private sector sources.

Inspector General

In Fiscal Year 1991, we are funding ACTION's Office of the Inspector General as a separate activity, with the total request being $1.1 million and 13 positions. In the past, the functions of the Inspector General were supported from the other budget activities within ACTION's appropriation. Over the last year, in response to the 1988 Amendments to the Inspector General Act, ACTION has established a statutory Office of the Inspector General and realigned the office to conform to the purposes of the legislation.

Funds will be used in 1991 to carry out a comprehensive audit plan and conduct investigations as required. Audits will focus on Agency operations and the largest grants of the Agency on a multiyear cycle, as well as any particular issues that may arise with respect to smaller grants and contracts. In addition, the Inspector General will automate its operations and fill available positions to handle an anticipated larger workload.

Program Administration

For program administration, we are requesting $29.2 million, an increase of $2.96 million above prior year amounts. The increase reflects a level that is essential to assure sound administration of ACTION's programs, as well as to carry out certain recruitment and public awareness functions contained in the 1989 Amendments to the Domestic Volunteer Service Act. The majority of the increase will restore the Agency to the full-time equivalent level of 448 positions, a level recognized by Congress in the previous fiscal year as essential for effective and efficient management and administration. Hiring will occur primarily in the regional and state offices to enhance program development, the recruitment of volunteers, and project monitoring. In addition, the request will provide for 13 new positions devoted primarily to VISTA recruitment activities in accordance with the 1989 Amendments to the Domestic Volunteer Service Act. Funds were not provided in Fiscal Year 1990 to support these additional recruitment activities.

The request for Program Administration also provides staff travel funds necessary to carry out VISTA recruitment and training responsibilities, project monitoring trips, and project directors' training conferences. Additional monies are also requested to complete the development and implementation of a modern payroll/personnel system to support VISTA Volunteers.

Mr. Chairman, that summarizes ACTION's budget request for Fiscal Year 1991. I am available to answer any questions that the Committee may have.

OLDER AMERICAN PROGRAMS

Senator **Harkin**. Thank you very much for your statement.

Ms. Burns, welcome. Glad you are on board. We will be working with you, too.

Ms. Kenny, one thing I wanted to focus on a little bit was the Older American Volunteer Programs, the different parts of it. I have a couple of things I wanted to ask.

For the Older American Volunteer Program, the increase is 2.3 percent above the amounts available last year.

Ms. **Kenny**. Pardon me?

Senator **Harkin**. According to your statement, for the Older American Volunteer Programs you ask for $120.5 million, an increase of $2.7 million or 2.3 percent above amounts available in fiscal year 1990. Like anything else, that is basically a cut in the program, I think, because we are going to have inflation at 4 percent, and that is not even keeping up with inflationary growth in the program.

I am wondering where you see tightening down on some of these programs to make up for that lack of keeping up with inflation.

Ms. KENNY. There is a combination of things that we did consider in preparing the budget, Mr. Chairman. One of them, the most driving force, was the provisions in the reauthorization for the Domestic Volunteer Service Act. As we noted, the collective budget is an increase of 9.5 percent, and that is significantly higher than in past years.

With regard specifically to the Older American Programs, we do have, as a major consideration for the use of unexpended balances, addressing the administrative costs which are of concern to the projects.

In addition, I think it should also be noted that we have had, especially in the Senior Companion Programs in the last couple of years, a steep increase in the number of new projects. Right now, we believe it is appropriate for us to allow those projects to be stabilized. Currently there were 43 new projects that were awarded at the end of fiscal year 1988 which are not up to their full volunteer capacity.

We think, in terms of demands both of the ACTION staff and the projects, that this is an appropriate time to be building more specifically within the VISTA Program and allow the older American programs to catch up. We are aware of the competing demands in terms of cost-of-living adjustments, and we are dealing with those.

I believe the fact that the new head of the Older American Volunteer Programs has project director experience which will increase the sensitivity of the agency to that issue.

Senator HARKIN. You are saying basically you have some unexpended balances. There was some left at the end of the last fiscal year. Do you expect there to be some unexpended balances from fiscal year 1989 available during this year? Is that what you are saying?

Ms. KENNY. We expect there will be some unexpended balances in fiscal year 1990 available, yes.

One of the things that we have already done in anticipation of that is to enter into a joint initiative with the Administration of Aging to develop new components that will target senior clients who are 80 years and older to be served by senior companion volunteers. We expect that to be awarded during the fourth quarter of fiscal year 1990.

Senator HARKIN. So may I summarize by saying you expect to use some of the unexpended funds for the Older American Volunteer Programs?

Ms. KENNY. That is correct.

Senator HARKIN. One other thing in our committee report we directed that one-half of the increased funds should be used to start new projects around the country. Now you just touched on that by saying you wanted to get the new ones that were started up to their full volunteer level.

Ms. KENNY. Yes; that is correct.

Senator HARKIN. I am saying that in our report we directed one-half to be used to start new projects and to increase the number of volunteers in existing programs, so why are there no new projects being initiated?

Ms. KENNY. There are a combination of reasons, Mr. Chairman, and I can go back and review the specific language on that. It was my understanding that at least one-half was to be provided to existing projects, and then based on the needs of the projects, it was to be determined whether or not the remaining money would be used for new projects.

When we consider the conditions stated in the Domestic Volunteer Service Act amendments, there were also provisions that $250,000 be provided this year for public awareness. There were other provisions that, from our standpoint, make it impossible during this appropriation to establish new projects.

We will expand existing projects, we believe, but we do not think we can start new ones.

Senator HARKIN. The increases we provided are basically, as you say, to get the other ones fully up on their volunteer levels; is that correct?

Ms. KENNY. To comply with the Domestic Volunteer Service Act amendments we needed to address the issue of inflation, we needed to provide for public awareness and we needed to provide for programs of national significance. We also had to factor in the sequestration level, and provide at least one-half for existing projects. When all these had been dealt with, we did not feel there was enough money to start new projects as well.

LITERACY CORPS

Senator HARKIN. The budget for ACTION proposes to double the funding for the Literacy Corps.

Ms. KENNY. That is correct.

Senator HARKIN. Congratulations.

Ms. KENNY. Thank you.

Senator HARKIN. That is a great step in the right direction. The program was created in 1986, and in every previous budget it was always proposed to eliminate it.

Ms. KENNY. Or to be absorbed within the VISTA Program.

Senator HARKIN. Or to be absorbed.

Well, I am glad to see that. We had Secretary Cavazos up here last week. He said there are 27 million illiterate Americans out there.

Now your staffing on this, tell me how many people you have. Is it 700 plus?

Ms. KENNY. Right now we have 325 volunteer service years for Literacy Corps. This will bring it up to 575, an 80-percent increase.

Senator HARKIN. I am sorry, I missed the total. What was the total in the Literacy Corps? What was the total amount of money.

Ms. KENNY. It is $6,050,000.

Senator HARKIN. Tell me, is the Literacy Corps going to be involved in trying to make those 27 million illiterate Americans literate? Are they involved in that process?

Ms. KENNY. They are not involved in 1-on-1 tutoring, but they are involved in recruiting students, trainers, and tutors. I think one of the most effective roles that VISTA volunteers have played traditionally with regard to literacy projects is that because they do live and work among the low-income community, they are an excellent resource in terms of bringing out low-income individuals to become students. They are able to work within the community, and are very effective in that regard.

Senator **Harkin**. Secretary Cavazos is interested in this, as are we all. It just seems to me that the Literacy Corps is one item that could stand substantial expansion.

Ms. **Kenny**. I think an 80-percent increase from our standpoint is substantial.

It would be appropriate to note at this time, Senator, that we have made this request in concurrence with another request for an increase in the program support area. It is very important that we have the funds to adequately train these volunteers in addition to recruiting them.

If we do not get people that are properly qualified and trained, frankly, we could do more damage than if we never appeared on the scene. It is very important that we give them the proper training.

STIPEND INCREASE

Senator **Harkin**. For the record, Ms. Kenny, on the stipend increase, you state in the budget justification that your proposed increases in the Foster Grandparent and Senior Companion Programs will cover a 15-cents-per-hour increase in the stipend, raising their hourly rate from $2.20 per hour to $2.35 per hour.

Ms. **Kenny**. That is correct.

Senator **Harkin**. As provided in the reauthorization enacted last year.

According to our calculations, you really have not asked for enough to fully fund it. For example, in the Foster Grandparent Program you requested an increase of $2,456,000, but the amount to provide a 15-cent stipend increase for 18,000 volunteer service years would cost $2,808,000, $352,000 more than you have asked for.

We see the same problem in the Senior Companion Program. We calculate that the stipend increase would cost $1.2 million, and you are only requesting a total increase of $233,000.

How do you account for these discrepancies?

Ms. **Kenny**. Collectively, Senator, we estimate that the cost for the two older American programs would be approximately $4 million. That is in excess of what we asked for. The reason is we do anticipate that some of the expenditures we are incurring this year will be one-time-only expenditures. For example, the Administration on Aging initiative is in fact a 3-year project, but it will all be funded out of fiscal year 1990 funds; therefore, in fiscal year 1991 we will not need that money for that purpose.

So we have in our calculations for this budget fully provided for the funds needed in order to keep this at an annualized level in the future.

Senator **Harkin**. Very good. Ms. Kenny, thank you very much.

Ms. **Kenny**. Thank you.

Senator **HARKIN**. Keep doing a good job down there. We like what you are doing. Thank you.

Ms. **KENNY**. Thank you, Senator.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **HARKIN**. There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

NEW OLDER AMERICAN VOLUNTEER PROJECTS

Ms. Kenny, the FY'90 appropriations bill provided modest increases for each of the Older American Volunteer Program the Retired Senior Volunteer Program, Foster Grandparents, and the Senior Companion Program. In our Committee report, we directed that one-half of the increased funds should be used to start up new projects in all areas of the country, and to increase the number of volunteers in existing programs.

Question: **Can you please tell me why you are not initiating any new projects, in apparent disregard for our Committee report?**

Answer: After the appropriations bill was passed last year, our new authorizing legislation passed. That legislation contained, in the statute itself, several directives concerning the Older American funds, including:

1. Directing at least 1/3 of any increase into programs of national significance,
2. Providing for the administrative costs of grantees, taking account of the impact of inflation, and
3. Spending $250,000 on public awareness activities.

After we factored in those statutory requirements, as well as the impact of the sequestration, we found that all of the increases in 1990 will be going to existing projects, either through programs of national significance or administrative costs. New public awareness initiatives are also anticipated. We are not able to start any new projects in 1990.

Question: **If you are not planning to initiate new projects, in FY'90, how do you plan to use the increases we provided?**

Answer: As stated in our response to Question 1, the increases will be used for funding programs of national significance, providing for administrative costs of grantees, and increased public awareness activities.

UNEXPENDED BALANCES

Question: **Can you tell me if there are expected to be any unexpended balances from FY'89 available during FY'90, and if so, how you plan to spend that money?**

Answer: Unexpended balances reported in FY'89 were spent prior to the end of the FY'89. We do anticipate some unexpended balances in FY'90, in all OAVP programs. Plans for utilizing these funds consistent with the mission of each program are currently under development.

One such initiative has already been approved. ACTION has entered into an agreement with the Administration on Aging, Department of Health and Human Services, to jointly support a Senior Companion Program demonstration effort directed at the over-80 frail homebound elderly. Unexpended Senior Companion Program balances identified in FY '90 will be utilized to implement ACTION's portion of this initiative.

Question:	**If your plan is to make one-time only grants to projects to allow them to bring in new volunteers who are generally low-income themselves, and work with the fragile populations among the elderly and disabled aren't you going to be setting up false expectations among both the volunteers and the needy clients they will begin serving?**
Answer:	In response to your concern, two points should be made.

- First, the written terms and conditions of a grant are attested to by all parties. When the grant involves a limited period of Federal financial support with progressive assumption of costs by the grantee, then all participants enter into the project with a clear understanding of their responsibility. Each grant contains a special condition which limits the government's obligation.

- Second, such grants involve as part of the project design, assistance in mobilizing non-Federal contributions, and place emphasis on grantees' working to mobilize resources to assure continued project activity after Federal funding is concluded.

LITERACY CORPS

Ms. Kenny, the budget for ACTION proposed to double the funding for the VISTA Literacy Corps, after having proposed to eliminate it in every previous budget submitted since the program was created in 1986.

Question:	**What accounts for this dramatic reversal in policy with respect to the Literacy Corps?**
Answer:	As you are aware, the President's Budget proposes a number of initiatives in the literacy area, including not only our program but an increase of 25% for adult education programs funded by the Department of Education. The Domestic Policy Council Working Group on Education is coordinating literacy initiatives across many areas of government.

The additional monies will support a growth in the number of volunteer service years. We will increase from 325 to 575, an increase of 250.

In addition, the increase will support the same items covered under the regular VISTA program for volunteers, including subsistence rates at 105% of poverty, a stipend increase from $75 to $90, additional training, growth in health care costs, and additional recruitment and public awareness funds.

I would note that with the increased attention given to the problems of illiteracy in the Nation, many grass roots literacy councils are requesting the services of full-time VISTA Volunteers to assist in their efforts. Similarly, adult basic education programs, private industry councils, and others are seeking the services of our volunteers.

Question: **What was your original funding proposal to OMB for this program?**

Answer: According to instructions, our original FY 1991 submission to OMB in September, 1990, was based on existing law and the President's Budget for FY 1990. Since the issue of whether the Literacy Corps would be reauthorized as a separate activity was not resolved at that time, ACTION's budget request to OMB for literacy activities was included under the regular VISTA program.

Subsequently, following resolution of this issue under the Domestic Volunteer Service Act Amendments of 1989, ACTION, as part of the President's overall initiative on literacy, submitted a budget appeal to OMB. In that appeal ACTION included monies for the Literacy Corps. The final request for FY 1991, as agreed to by ACTION and OMB, was set at $6,050,000.

STIPEND INCREASES

You state in your budget justification that your proposed increase in the Foster Grandparent and Senior Companion programs will cover a 15-cents per hour increase in the stipend provided to those volunteers, raising their hourly rate from $2.20 to $2.35, as provided in the reauthorization enacted last year.

But, according to my calculations, you haven't asked for enough to fully fund the stipend increase. For example, in the Foster Grandparent program, you have requested an increase of $2,456,000, but the amount to provide a 15-cent stipend increase for 18,000 volunteer service years would cost $2,808,000--$352,000 more than you've asked for.

We see the same problem in the Senior Companion program, where I calculate that the stipend increase would cost $1.2 million, and you are only requesting a total increase of $233,000.

Question: **How do you account for those discrepancies?**

Answer:

- The estimated cost is $4.0 million, and we have included funds to cover the cost in the budget.
- The increases are in the Foster Grandparent and Senior Companion programs.
- The reason why the aggregate increase for those programs is only $2.7 million, not $4.0

million, is that there is some activity, that will be funded under those programs on a multiyear basis in 1990. So, we do not need those particular monies on a recurring basis in 1991.

STUDENT COMMUNITY SERVICE PROGRAM

Last year, we provided $893,000 for the Student Community Service program in order to provide for a phase-out of the program, because we found it to be duplicative of a similar program authorized and funded under the Higher Education Act. However, your budget not only does not continue to phase-out the program, but proposed to a 98% increase.

Question: **Can you tell the Committee why this program is not duplicative and why it deserves to be doubled this year?**

Answer: I have examined the Department of Education program that is related to our program, and I do not believe that there is any overlap. That program has no requirement to provide service only to low-income communities. Further, the program allows stipends or tuition forgiveness as an incentive for service. Under the ACTION program, high school and vocational education, as well as college, students provide community service. These students are not provided any stipends or other financial incentive for service; and projects must address the needs of the low-income communities in which they serve. Finally, it is my understanding that the Department of Education is not requesting funding for that program in the 1991 budget.

Through this program student volunteers are becoming a part of their community by providing tutoring, day-care, literacy projects, elderly care, health care, drug abuse education, housing projects, agricultural projects and other activities identified as problems within their communities.

Involving youth in volunteer activity is absolutely essential, both to enhance the quality of life for young people themselves and to improve the situation of those less fortunate in society.

VISTA RECRUITMENT EFFORTS

Your recruitment report of February 1990 included a detailed accounting of expenditures relating to recruitment and public awareness activities in FY '89 as required by the VISTA reauthorization, but neglected to evaluate the effectiveness of these measures as required by the law.

Question: **Can you give us that information today?**

Answer: The cited requirement was enacted into law after the completion of FY 89. The agency is in the process of awarding a contract that will conduct such an evaluation in relation to the future VISTA marketing plan.

Question: **For example, can you show an increase in college age applicants in fiscal years 1989 and 1990 as a result of the expenditures in FY '89?**

Answer: We can show an increase in the number of recent college graduates. At the beginning of Fiscal Year 1989, we had 270 recent college graduates in the VISTA program. As of December 31, 1989, we had 384 recent college graduates.

What we cannot document at this time is whether this increase is the direct result of the expenditures in FY '89. The contract ACTION is about to award related to future VISTA marketing efforts will enable the agency to evaluate the effectiveness of each VISTA recruitment activity funded by the marketing plan through the use of a benchmark study.

LITERACY CORPS EVALUATION

Your budget request indicated that you have lowered the number of service years in fiscal year 1990 from 335 to 325 in order to conduct an evaluation of the Literacy Corps as directed in the reauthorization.

Question: **Has this evaluation begun? How is it being conducted? When will it be completed and how much will it cost?**

Answer: The statement of work for the evaluation of the VISTA Literacy Corps is completed and should be published by mid-March. The evaluation is being done through a contract. We would anticipate that a contract would be awarded in June, 1990. The schedule in the statement of work calls for completion of the evaluation by February, 1991. We have budgeted $180,000 for it. This will be a cost reimbursement contract.

RECRUITMENT

Question: **Your recruitment report shows that the spending pattern for fiscal year 1989 did not place an emphasis on college graduate recruitment. Will your emphasis shift in FY 90 and FY 91?**

Answer: The spending pattern for FY '89 did place an emphasis on recent college graduate recruitment. Approximately 30% ($38,230) of total funds expended on general VISTA recruitment and public awareness activities in FY 1989 was expended on specialized efforts to recruit recent college graduates.

In FY '90 and FY '91 we will continue to target a significant portion of our resources to attract recent college graduates. Furthermore, our FY '91 budget contains a substantial increase in funding for public awareness activities.

Question: **What is your goal for the total number of volunteers recruited in fiscal year 1990?**

Answer: We estimate recruiting approximately 2,600 new volunteers.

Question: **What is your goal for the number of college graduate volunteers recruited in fiscal year 1990?**

Answer: The FY 90 VISTA current year operating plan includes a goal to have 333 recent 4-year college graduates (classes of 84-89) serving as VISTA Volunteers by September 30, 1990. A significant portion of them will have been recruited in FY '90.

Question: **What is your goal for the number of volunteers placed outside of their original home states?**

Answer: During the first quarter of FY '90, 34 applicants have been placed on projects outside of their home community. A similar or higher level of such placements is likely in the remaining three quarters.

Question: **By what methods will you achieve these goals?**

Answer: As part of VISTA recruitment efforts, we have taken the following steps:

1. Established an Office of Recruitment and Placement within VISTA at the headquarters level.

2. Selected 9 persons to assume the functions of Regional Recruiting Representatives. Fifty percent of these persons' time will be devoted to VISTA recruitment activities.

3. Awarded a grant to the Campus Outreach Opportunity League (COOL) to develop and implement recruitment training. A workshop will be presented at nine ACTION/VISTA regional training conferences for VISTA project supervisors. COOL will also conduct a workshop for ACTION staff on how to provide recruitment assistance to sponsors. The COOL workshops will be geared to the unique college recruitment circumstances in each region.

4. Began the process to award a contract that will result in the design and implementation of a comprehensive recruitment and marketing effort. It will involve surveying current VISTA Volunteers, as well as current college students, to determine what type of recruiting effort might be most successful. Subsequently, a marketing plan will be developed and monitored for its effectiveness.

5. Began the process of creating an information system to match applicants and project needs. We are assessing the use of the VISTA Talent Bank for this purpose.

Question: **Please provide the same information for FY '91.**

Answer: Our efforts for FY 1991 will be derived from the research being done among current volunteers and current college students this fiscal year to determine what type of recruitment efforts might be most successful.

In addition, our FY '91 budget for program administration contains monies for an additional 13 positions, of which 9 will be located in regional offices, to implement an expanded VISTA recruitment effort.

PROMOTION OF OLDER AMERICANS VOLUNTEER PROGRAMS

Question: **What are your plans for OAVP promotional activities in FY'91, and what budget amounts are you allocating for these activities?**

Answer: ACTION's budget request for FY'91 includes $255,000 for communications in the Older American Volunteer Programs. The communications budget will support a variety of public awareness and recognition activities in support of the Older American Volunteer Programs, including printed materials such as brochures and posters. FY'91 communications activities will also reflect insights gained as a result of the RSVP evaluation as well as marketing surveys conducted for each of the OAVP programs in the past year.

Question: **How does this compare with previous years' activities and budgets?**

Answer: The FY 91 request is approximately the same as our latest FY 90 estimates of $250,000. We anticipate the types of activities would remain essentially the same in keeping with the ongoing needs of our projects especially in the areas of volunteer recognition and fundraising.

CHALLENGE GRANTS

Question: **Please explain the challenge grant program, and provide details as to its current status?**

Answer: The purpose of challenge grants is to provide our projects with "seed money" that can be used in local efforts to generate non-Federal funding to support modest expansion in volunteer participation.

Grants are awarded on a one-time only basis, usually for a 3 year period, with the understanding that the grantees will generate non-Federal funds to support the grant when ACTION funding ends after 3 years.

The first challenge grants were awarded in FY 1987. Nine SCP and 32 FGP grants were funded that year. All grants were awarded to existing projects.

As of September, 1989, these grants have enrolled 215 Foster Grandparents and 91 Senior Companion volunteers. These volunteers now provide services to address a variety of community needs including: teen pregnancy, child abuse/neglect, Alzheimers, and the terminally ill.

Question: **Have all challenge grantees been able to raise non-ACTION funds to continue to support the**

volunteers recruited under the challenge grant program?

Answer: As of September, 1989, projects participating in our challenge grant initiative have raised about $195,000 for FGP, and $137,000 for SCP, from various private sector sources including: non-profit organizations, corporations, and local/state governments. The level of non-federal funding raised, varies from project to project.

Question: Do you expect to lose any volunteers this year as a result of the inability of challenge grantees to match dollar-for-dollar the federal challenge grant?

Answer: We do not expect to lose any volunteers this year as a result of the inability of challenge grantees to match dollar-for-dollar the federal challenge grants.

Question: Are you taking any steps to ensure that these volunteers are not lost to the programs?

Answer: As we have indicated earlier, challenge grants are awarded for a limited period, with the expectation that grant recipients will generate the non-Federal funds needed to support the effort after ACTION funding ends.

We are looking to the non-federal funds generated by challenge grant recepients to enable some of the volunteers recruited to continue to participate in the program.

For projects having difficulty raising their non-Federal contributions, we would expect that they could absorb the challenge grant volunteers into the parent grant through normal volunteer attrition.

Question: For the record, can you tell us if the amount of unexpended balances represents an increase in unexpended balances over the last three fiscal years? If so, how do you account for this increase?

Answer: There was a substantial increase in unexpended balances in the Senior Companion Program reported in FY'89, reflecting a relatively slow start-up of many of the 43 new projects funded the previous year.

An increase in unexpended balances in the Foster Grandparent program is anticipated in FY'90 as the result of slow initial development of several new projects funded the previous year.

The Retired Senior Volunteer Program experienced very small unexpended balances in both FY'88 and FY'89 and this pattern continues into FY'90.
It should be noted that most monies in Foster Grandparent and Senior Companion grants support volunteer stipends and benefits. Projects which have not achieved their budgeted level of volunteer service years create the unexpended balances.

Question: **Would you also provide for the record the amount of the unexpended balances for each of the last three years, and how those funds were spent?**

Answer: Unexpended Balances/By Program

PROGRAM	FY 1988	FY 1989	FY 1990
Retired Senior Volunteers	$159,488	$245,490	$1,600 (EST.)
Foster Grandparent Program	$1,187,347	$1,323,018	$895,672 (EST.)
Senior Companion Program	$607,892	$2,363,015	$73,100 (EST.)

(*) Estimates as of 12/31/89, at end of first quarter of FY'90.

Funds were spent in accordance with the mission of, and the program of, activities authorized by the Domestic Volunteer Service Act Amendments, including: (a) special initiatives such as Library Assistance, VA in-home care, and intergenerational and older abuse; (b) projects to address particular one-time needs created by disasters such as hurricanes; (c) extension of grant cycles to assist grantees in having ACTION's grant periods conform to local fiscal periods and for after purposes; (d) grants to meet the particular transportation needs of projects; (e) challenge grants to stimulate the provision of local and private support for volunteer activities; and (f) training and related initiatives to help strengthen project management.

Question: **For the record, can you tell us how much of your requested increase in the OAVP programs will be used to increase the number of volunteers in existing projects? Will these be permanent, annualized increases?**

Answer: The FY'91 budget increases requested for the Foster Grandparent Program and the Senior Companion Program reflect plans for a $.15 per hour increase in volunteer stipends. No new projects, or expansion of existing projects, is anticipated.

The FY'91 Retired Senior Volunteer Program budget supports participation of about 2,000 additional ACTION funded volunteers.

VISTA RECRUITMENT

Your budget indicates you plan to spend $474,000 for recruitment and public awareness in FY '91 for the regular VISTA program and $91,000 for the VISTA Literacy Corps. This increase is consistent with the new recruitment directives in the reauthorization passed last year. Yet, without a more specific recruitment plan, it is not clear how you plan to spend this money.

Question: **Exactly what do you intend to do with such a large increase in recruitment and public awareness funds?**

Answer: The level of funds to be expended for recruitment and public awareness in FY '91 represents 1.5% of the total VISTA budget. The percentage to be expended is required by the reauthorization legislation.

Our recruitment plans for FY '91 will be developed as part of the VISTA marketing contract that is about to be awarded. The research will involve surveying current VISTA Volunteers who are recent college graduates and current college students to determine what approach to use to attract college age students to the VISTA program. The research will help us develop a comprehensive recruitment and marketing strategy that can then be evaluated for its effectiveness during implementation.

The funds we are requesting will likely support activities such as advertising through the print media and direct mail, as well as public service announcements.

AGENCY BUDGET

In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

Question:

1) Total Salaries and Expenses
2) Amount of your appropriation that was unused and turned back to the Treasury
3) Equipment-Expenditures
4) Fourth Quarter Expenditures (all items over $3,000)

Answer:

I have provided for the record a series of charts which show the amounts in the various categories the Committee has requested.

Some explanation about some of these figures may be helpful in understanding them. The figures for equipment purchases were taken from the final accounting reports for the respective fiscal years. However, the working definition of "equipment" has changed over the course of the fiscal years in question, which accounts in part for the differences in amounts from year to year. In all cases, the goods defined as equipment are durable, with a useful life of a year or more. From 1985 until 1989-90, the dollar threshold separating "equipment" from "supplies and materials" has risen from $1,000 per item to $5,000 per item; therefore, fewer items are classified as "equipment" in FY 1990 than were in FY 1985.

We have been able to provide fourth quarter expenditures only for fiscal years 1988 and 1989; we have final reports for fiscal years 1985 through 1987 as well, but we do not have the information necessary to determine fourth quarter increments. As a rule, due to the restrictions of space for storage, the Agency does not maintain detailed accounting records for longer than the two years required by records retention guidelines. The amounts for 1988 and 1989 are listed by major object classification. Fourth quarter obligations have not exceeded 25 percent of the total.

I hope that the charts I have provided will assist you in understanding our budget. If you need additional information, we will, of course, attempt to provide it, insofar as our automated records permit.

TOTAL OBLIGATIONS FOR SALARIES AND EXPENSES a/
FISCAL YEARS 1985 - 1990

(In thousands of dollars)

FY 1985 Actual	FY 1986 Actual	FY 1987 Actual	FY 1988 Actual	FY 1989 Actual	FY 1990 Estimate
25,661	24,613	25,112	25,061	24,961	26,210

a/ Amounts represent obligations for Activity 4, Program Administration.

AMOUNTS RETURNED UNOBLIGATED TO THE TREASURY
FISCAL YEARS 1985 - 1990

(In thousands of dollars)

FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
215	107	241	125	191	---
0.2% a/	0.1%	0.2%	0.1%	0.1%	---

a/ Percentage of total appropriation returned to the Treasury.

EQUIPMENT PURCHASES a/
FISCAL YEARS 1985 - 1990

(In thousands of dollars)

FY 1985 Actual	FY 1986 Actual	FY 1987 Actual	FY 1988 Actual	FY 1989 Actual	FY 1990 Estimate
578	196	209	12	---	---

a/ Obligations for object classification 3100, Equipment.

FOURTH QUARTER OBLIGATIONS
FISCAL YEARS 1988 - 1989

(In thousands of dollars)

	FY 1988	FY 1989
Personnel compensation and benefits	4,800	4,927
Volunteer allowances	4,357	4,797
Travel and transportation	190	156
Building rents	724	497
Other rents, communications and utilities	192	260
Printing	171	148
Contractual services	1,319	1,867
Supplies and materials	692	255
Equipment	12	---
Grants 1/	23,813	23,195
Insurance claims and indemnities	---	3
TOTAL	36,270	36,105
Percentage of total obligations incurred in fourth quarter	22.3%	21.3%

1/ Represents grants awarded under the Domestic Volunteer Service Act of 1973, as amended. The Agency awards approximately 25 percent of its grants during the fourth quarter as part of a regular cycle of grant making.

ADVISORY COUNCIL

Question:	**How much is being requested and/or budgeted to support the activities of ACTION's Advisory Council?**
Answer:	The charter for the National Volunteer Advisory Council expired on December 31, 1989, and has not been renewed. No specific funds for an Advisory Council are included in the budgets for fiscal years 1990 and 1991.
Question:	**Please describe the Council's responsibilities, and provide a list, with a brief biography, of the Committee Members?**
Answer:	In the past, the Council's functions included providing advice to the Director concerning ACTION's mission and programs, as well as reviewing nominations for national volunteer awards. As I have stated, the Advisory Council's charter expired on December 31, 1989, and has not been renewed. This year, the nominations for the President's Volunteer Action Awards were reviewed by ACTION's Regional Directors.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

INCREASES IN ACTION's PROGRAMS

Question: **You are seeking increases in almost all of ACTION's programs, as well as in program administration. Please describe the relationship between the requests for program monies and the need for additional funds for program administration?**

Answer: ACTION's request for program administration is essential for the sound management of the program funds. Over the last several years, our program administration funds have been eroded, primarily by inflation and by cuts imposed during the appropriations process. ACTION cannot continue to operate at a reduced level for administration, and at the same time increase funds for programs. The two areas are linked, and we develop the budget for program administration based upon the request for program monies.

For example, in 1991 a major part of the increase in program administration will support 13 additional positions for recruitment and placement activities under VISTA. This is a direct response to the 1989 Amendments to the Domestic Volunteer Service Act, and is critical if we are to meet the program expansion goals in VISTA and Literacy Corps requested in our budget. For example, the significant increase in VISTA projects can only be achieved if there is also an increase in project support funds to enable ACTION staff to conduct monitoring trips for those projects.

Under our request for program administration, we are seeking to fill a number of critical positions, primarily in our state and regional offices, that remain vacant because of the lack of funds. Further, we are increasing travel monies for our regional offices in order that they may increase monitoring trips and conduct the expanded training called for under the VISTA budget request for volunteers.

Our request will also enable us to replace our outmoded VISTA payroll/personnel system with a modern, effective system that meets the needs of volunteers and our state and field offices.

Although there are other examples of the interrelationships between program and administration monies, the overall conclusion is that ACTION simply cannot accomplish the program component of this budget unless there is a significant increase in monies available for program administration.

STUDENT COMMUNITY SERVICE

Question: **You are seeking a substantial increase in the Student Community Service Program. Why is that program so important? What are the benefits?**

Answer: We believe that the Student Community Service (SCS) Program is an essential component of

ACTION's effort to promote voluntarism across the country and are therefore proposing to increase funding by almost 100% in FY 1991. Involving youth in volunteer activity is absolutely essential, both to enhance the quality of life for young people themselves and to improve the situation of those receiving assistance.

Under this program, student volunteers become a part of their community by providing tutoring, day-care, literacy assistance, elderly care, health care, drug abuse education, housing improvements, and other activities identified as problems within their communities.

ACTION is in the final stages of a year-long study of the Student Community Service Program. A preliminary analysis shows that:

- Student Community Service projects, according to local project directors, are achieving, to a high degree, the program's national goals.
- Third-year SCS projects have generated 905,000 hours of community service, at a cost of about 60 cents an hour in the final year of service.
- Sixty percent of service recipients have a household income of $15,000 or less; 68 percent of the student volunteers have a household income of $30,000 or more.
- When student volunteers were asked what was the most important outcome of their service, the most frequent response was that it provided an opportunity to gain a better understanding of the problems and needs of low-income individuals and communities.
- Most projects sought ACTION funds to begin a volunteer program. Over 90% of the projects will continue after Federal funds expire at the end of the third and final year of the grant.

In summary, we believe that these results attest to the benefits of the program, and are therefore proposing to expand it.

DRUG PREVENTION

Question: **Please describe ACTION's activities which help to prevent the use of illicit drugs. What factors contribute to successful efforts in this area?**

Answer: In total, ACTION estimates that it will spend $9.6 million in Fiscal Year 1991 to combat the use of illicit drugs. This represents an increase of 4% above the FY 1990 levels.

A number of ACTION's volunteer programs include efforts to address the problems of drug abuse, including Volunteers in Service to America (VISTA), Retired Senior Volunteers Program, (RSVP), and the Foster Grandparents Program (FGP). Although volunteers under these programs address a wide variety of local needs and concerns, we have found that local communities view the use of illicit substances as a major problem requiring increased attention. Under these programs, we anticipate spending $7.4 million for drug prevention activities in FY 1991.

In addition to these efforts, ACTION's Title I, Part C activities in FY 1990 and FY 1991 will be devoted solely for drug prevention activities. Under this authority we support projects providing opportunities for volunteers to provide drug prevention services to high-risk youth, especially those in low income communities; adult or older youth mentoring programs; demonstration projects using volunteers to provide individualized drug prevention education; and innovative and potentially replicable strategies that include public/private partnerships. In total, we have budgeted $2.2 million for these Part C activities in FY 1991.

We have learned that neighborhood-based prevention initiatives which involve volunteers and target youth can be successful in preventing the use of illicit drugs while being cost effective. Initiatives such as peer support for youth, older youth or adult mentoring programs, parent network activities, community coalition-building, and alternative activities for youth are showing significant success in both reaching youth with effective anti-drug messages and in creating attitudes of intolerance toward illicit drug use.

NATIONAL COUNCIL ON DISABILITY

STATEMENT OF SANDRA S. PARRINO, CHAIRPERSON

ACCOMPANIED BY ETHEL D. BRIGGS, ACTING EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator HARKIN. Next we have Sandra S. Parrino, Chairperson of the National Council on Disability, and Ethel Briggs, Acting Executive Director.

The National Council on Disability is an independent agency comprised of 15 members appointed by the President and confirmed by the Senate. It is an advisory body whose mandate is to examine broad-based Federal policies relating to persons with disabilities and to make recommendations to the Congress and the President on how these policies can be improved.

The fiscal year 1991 request for the Council is $1.2 million.

We are pleased to have with us testifying today Ms. Sandra Parrino, with whom I have worked a lot in the past on many measures concerning our disabled community.

Ms. Parrino, again let me publicly commend you for all the time, effort, and hard work that you have put into making this Council, I think, exemplary. Of all the councils that have been set up to deal with specific problems in our society, this one has operated in exemplary fashion. You have done a great job. The ADA bill is close to passage, and we will have it out this year. We will get it down to the President.

Thank you for all your hard work and for all you have done. Please proceed.

INTRODUCTION OF ASSOCIATES

Ms. PARRINO. Thank you for your kind remarks on behalf of the Council and the staff, Senator.

Mr. Chairman and distinguished members of the committee, I am Sandy Parrino, Chairman of the National Council on Disability. With me today is Ethel Briggs, our Acting Executive Director of the Council. We are pleased to come before you today to discuss the current and future activities of the National Council and to solicit your continued support for our agency.

Mr. Chairman, I would like your permission to summarize our testimony and submit the full testimony for the record.

The National Council applauds the Senate subcommittee under the capable and sensitive leadership of the chairperson, Senator Harkin. We are also delighted that the Senate as a body voted overwhelmingly in support of S. 933, the Americans with Disabilities Act of 1989.

Some members of the subcommittee may recall that the original recommendation for a comprehensive civil rights act for persons with disabilities was included in the National Council's first major report to the Congress, "Toward Independence." We hope that the momentum to pass the ADA will continue in the House, and that we will soon join the President at the long awaited signing ceremony.

The National Council with the support of the Congress is willing to provide technical assistance to agencies affected by the act, such as businesses, universities, recreational and sports facilities and employers; to assist Federal agencies in the development of regulations so that the implementation of ADA will not be delayed for the lack of regulations as was the case with the implementation of section 504 of the Rehabilitation Act; and to mount a public awareness campaign to educate persons with disabilities, their families, and other citizens about the act.

We are justifiably proud of our accomplishments in recent years because we are certain that we have helped shape public policy which will improve the lives of persons with disabilities and their families. Yet, we are keenly aware that much more work remains to be done if individuals with disabilities are to live and work with dignity in our society.

The National Council shaped disability policy in the following areas: education, health, prevention, social, employment, and research. The National Council is extremely proud to be recognized as the only agency responsible for the development of disability policy in the country. In fact, the National Council has received several requests from foreign countries for technical assistance and advice in the development of disability policy.

During fiscal year 1990, we received $1.140 million for the activities and operations of the National Council. In addition, the Congress appropriated $400,000 for a study on the education of children with disabilities which I will highlight later in my testimony. For fiscal year 1991, the National Council is requesting $1.20 million in order to fulfill our mandate in a cost-efficient manner.

I would like to take this opportunity to thank the members of the Appropriations Committee for making funds available for such initiatives as our education study. As you know, the National Council is mandated by statute to have only 10 FTE's, 8 of which are staff positions. We have never come to you seeking additional FTE's or a larger budget for personnel cost. Rather, we try to spend our funds on program initiatives that would benefit citizens with disabilities and their families in this country. We ask for your continued support and funding of these special initiatives which are identified by the National Council.

For the sake of time, I will not discuss our fiscal year 1989 accomplishments; however, I will summarize our fiscal year 1990 and 1991 plans.

FISCAL YEAR 1990

Planned activities for fiscal year 1990. Fiscal year 1990 is already well underway, and the National Council is working on several projects which we feel, will make major contributions to the development of sound public policy for persons with disabilities. These projects include the following:

Through the Departments of Labor, HHS, and Education Appropriations Act for Fiscal Year 1990, the National Council was allocated an additional $400,000 to continue to study the status of the education of students with disabilities. This study will build upon our report, "The Education of Students With Disabilities: Where Do We Stand", and will attempt to explore some of the problems raised in this report.

I must add that while the National Council is pleased with this additional funding to explore the education of students with disabilities, we continue to believe that a separate independent commission under the direction of the National Council is warranted and long overdue. Only when we are able to have an indepth and impartial assessment of the implementation of Public Law 94-142, the Education of All Handicapped Children's Act, will the Congress and the Nation have a clear understanding of the educational needs of students with disabilities and their families.

Public Law 100-407, the Technology-Related Assistance for Persons with Disabilities Act of 1988, authorizes the National Council to conduct a study on the financing of services and devices for individuals with disabilities. Through title II of the act, the National Council will receive $250,000 this fiscal year to conduct this study. We are enthusiastic about this study because we recognize that assistive technology can often provide unlimited opportunities for children and adults with disabilities.

Health insurance is a major concern to persons with disabilities and their families. To address this matter, the National Council is conducting a preliminary study on health insurance, and we are confident that this study will stimulate thoughtful policy discussion on an issue which touches virtually every American with a disability.

Another matter which the National Council has been concerned about for some time is the need to provide personal assistance services [PAS] to persons with disabilities. The National Council will hold hearings on PAS this summer and will hear from a variety of disability groups about their personal assistance needs. We are hopeful that these hearings will lead to policy recommendations which will assure that persons with disabilities and their families receive these critical services.

The National Council is continuing to work with the Centers for Disease Control on our mutual efforts to prevent primary and secondary disabilities. We plan to cosponsor along with CDC two working sessions, one on the prevention of secondary disabilities and persons who are spinal cord injured; and another on secondary disabilities and individuals with cerebral palsy.

Secondary disability—that is, those disabilities which occur as a result of an individual's primary disability—is of major concern to the National Council. Many individuals with disabilities are experiencing greater difficulty in living and working independently due to the acquisition of a secondary disability. We are confident that the information gleaned from these two conferences will ultimately improve the quality of life for persons with disabilities.

The National Council has long been concerned about the needs of native Americans with disabilities. From the research which we have done thus far, we have discovered that these persons have many unique needs which often have not been addressed for far too long. To assist in the development of public policy which will assist these Americans, the National Council in conjunction with the Indian Health Service will address the needs of native Americans with disabilities.

The National Council plans to focus its special report for 1990 on the civil rights of individuals with disabilities. This report will trace the history of our development of the act and explain the overarching need for such a law.

PROJECTED ACTIVITIES FOR FISCAL YEAR 1991

As I mentioned earlier in my statement, the National Council was requesting $1.2 million for fiscal year 1991. At this time I would like to briefly describe our projected activities for the upcoming fiscal year.

The National Council will continue its initiatives in such areas as prevention, health insurance, personal assistance services, civil rights for persons with disabilities, employment, education and children at-risk such as babies with AIDS, drug addiction, and abandoned or boarder babies.

The National Council in conjunction with the Centers for Disease Control and the Indian Health Service is considering holding a national conference on the unique needs of native Americans with disabilities.

In addition to our mandated quarterly meetings, the National Council is planning to hold public forums on such issues as technologies aids and devices of persons with disabilities, prevention of primary and secondary disabilities, individuals with AIDS, and the service delivery system in education and employment issues.

The National Council on Disability will continue to fulfill its statutory requirements to establish general policies for the National Institute on Disability and Rehabilitation Research and the President's Committee on Employment of People with Disabilities.

We are proud of the contributions which our agency has made over the years. Through hard work and deliberation, the National Council has helped shape disability policy in such areas as education, health prevention, social employment, and research which will take us well into the 1990's and beyond.

We, the members of the National Council and the staff, are prepared for the challenges and complex problems which most certainly lie ahead. We are prepared to work with the Congress and the President to continue to establish public policy which will enable persons with disabilities to live and work independently and productively.

PREPARED STATEMENT

Thank you for this opportunity to testify before the committee. I would be pleased to answer any questions you may have.

[The statement follows:]

STATEMENT OF SANDRA S. PARRINO

Good Afternoon! Mr. Chairman and distinguished members of the Committee, I am Sandra Swift Parrino, Chairperson of the National Council on Disability. I would like to introduce to you Ethel D. Briggs, the Acting Executive Director of the National Council. We are pleased to come before you today to discuss the current and future activities of the National Council and to solicit your continued support for our agency.

The National Council applauds the Senate Subcommittee under the capable and sensitive leadership of the Chairperson, Senator Harkin. We are also delighted that the Senate-- as a body-- voted overwhelming in support of S-933, the Americans with Disabilities Act of 1989. Some members of the Subcommittee may recall that the original recommendation for a comprehensive civil rights act for persons with disabilities was included in the National Council's first major report to the Congress, Toward Independence. We hope that the momentum to pass the ADA will continue in the House and that we will soon join the President at the long awaited signing ceremony. The National Council recognizes that the major tasks lie ahead of us - the implementation of the Americans with Disabilities Act. The National Council with the support of the Congress is willing to provide technical assistance to agencies affected by the Act such as businesses, recreational and sports facilities, and employers; to assist federal agencies in the development of regulations so that the implementation of ADA will not be delayed for the lack of regulations as was the case with the implementation of Section 504 of the Rehabilitation Act; and mount a public awareness campaign to educate persons with disabilities, their families and other citizens on the Act.

We are justifiably proud of our accomplishments in recent years because we are certain that we have helped shape public policy which will improve the lives of persons with disabilities and their families. Yet, we are keenly aware that much more work remains to be done if individuals with disabilities are to live and work with dignity in our society.

As you know, the National Council is an independent Federal agency charged with reviewing all laws, programs, and policies of the Federal Government and to make such recommendations as it deems necessary to the President and the Congress. Although several other federal agencies have the responsibility for administering programs which serve children and adults with disabilities, the National Council is the only Federal agency with the mandated responsibility to address, analyze, and make recommendations on all issues of public policy which effect persons with disabilities. Finally, the National Council is charged with reviewing general policies and research priorities of the National Institute on Disability and Rehabilitation Research and for providing guidance to the President's Committee on Employment of People with Disabilities.

The National Council shapes disability policy in the following areas: education, health, prevention, social, employment and research.

The National Council is extremely proud to be recognized as the only agency responsible for the development of disability policy in this country. In fact, the National Council's reputation as the United States' disability policy agency has reached the governments of other countries. The National Council has received several requests from foreign countries for technical assistance and advice in the development of disability policy.

During FY90, we received $1.140 million for the activities and operations of the National Council. In addition, the Congress appropriated $400,000 for a study on the education of children with disabilities, which I will highlight later in my testimony. For FY 91, the National Council is requesting $1.2 million in order to fulfill our mandate in a cost efficient manner.

I would like to take this opportunity to thank the members of the Appropriations Committee for making funds available for such initiatives as our education study. As you know, the National Council is mandated by statute to have only 10 FTE's, eight of which are staff positions. We have never come to you seeking additional FTE's or for a larger budget for personnel costs, rather we try to spend our funds on program initiatives that will benefit citizens with disabilities and their families in this country. We ask for your continued support and funding of these special initiatives which are identified by the National Council.

Now, I would like to share with you a brief description of the accomplishments of the National Council on Disability in FY 89, our current plans for FY 90 and then outline our plans for FY 91.

ACCOMPLISHMENTS DURING FY 89

During FY 1989, the National Council successfully completed a number of initiatives which positively affected the lives of children and adults with disabilities and their families. These projects included the following:

- On September 19, 1989, the National Council released a special report entitled, The Education of Students with Disabilities: Where do we Stand? This report is the result of four days of hearings held by the National Council in which we heard from over 50 witnesses. In this report, we addressed 31 findings which represent both a summary of issues presented to us by witnesses as well as our own review of relevant studies and materials. Twenty questions are raised which we feel must be thoroughly explored if the education of students with disabilities is to be improved. Perhaps more importantly, we recommended that this study become the foundation of a continuing effort to assess the educational needs of students with disabilities.

- In August, 1989, the National Council proudly hosted a conference entitled **Disability: A Family Affair.** The purpose of this conference was to bring together persons with disabilities, family members, educators, service providers and representatives of advocacy organizations to discuss the needs and problems that families face every day. I am pleased to report that this conference was very successful with over four hundred persons in attendance. Moreover, important policy recommendations were developed which will assist the National Council in formulating public policy in a variety of areas.

- On May 9, 1989, the **Americans with Disabilities Act** was introduced in both Houses of Congress (S.933 and H.R.2273). This legislation is the fruition of years of work by members of the National Council in which were heard from literally thousands of persons with disabilities about the discrimination which they contend with on a daily basis. While the **Americans with Disabilities Act of 1989** is not identical to the legislation drafted by the National Council, its intentions are the same: to remove attitudinal, architectural, and communication barriers which deny persons with disabilities access to our society.

  I was pleased to present testimony on behalf of the National Council before the House Subcommittee on Select Education on July 18, 1989. We continue to monitor the progress of this all-important legislation and lend our expertise, where appropriate. As I indicated previously, the Council is prepared to provide technical assistance and a public education campaign on this legislation in order to ensure its immediate implementation.

- The National Council continues to be concerned about the prevention of primary and secondary disabilities. In FY 89 the Centers for Disease Control (CDC) received funding to establish Offices of Prevention in various states. During that year, CDC funded nine State projects as well as four university-based projects related to prevention activities. In addition, CDC awarded a grant to the Institute of Medicine to study a variety of issues surrounding the prevention of primary and secondary disabilities. The National Council has worked very closely with CDC on these efforts. Finally, the National Council has actively participated in the drafting of The Year 2000 Health Objectives for the Nation, ensuring that primary and secondary disability prevention were addressed.

- In addition to our mandated quarterly meetings, the National Council held public forums on the following issues of concern to persons with disabilities: 1) the **Americans with Disabilities Act**; 2) the **Social Security Act**; and 3) the long term health care needs of children and adults with disabilities. In order to fulfill our mandate to review all policies and programs which effect persons with disabilities, the above forums, coupled with the list of consumer advisors which we maintain, allows the National Council to continually seek input from those persons who are most affected by our work: individuals with disabilities.

- In accordance with our statutory mandate to establish general policy for and review the operations of the **National Institute on Disability and Rehabilitation Research (NIDRR)**. The National Council had several meetings with NIDRR to discuss the development of the NIDRR's five year plan and also to raise other issues of concern to Council members. We feel that these meeting have been productive for all persons involved and one tangible by-product is that NIDRR has assigned a staff person to work directly with the National Council.

- The National Council also has a mandate to establish general policies for the **President's Committee on Employment of People with Disabilities.** I am pleased to report that we have developed a Memorandum of Understanding with the President's Committee and that our staffs work closely together. In addition, we believe the appointment of Mr. Justin Dart, former member of the National Council, as Chairperson of the President's Committee will further strengthen the relationship which we have with this agency.

- In addition to the above mentioned activities the National Council participates in a variety of other interagency activities including the Interagency Committee on Handicapped Research; the Federal Agency Council; the Federal Task Force on Disability and the Interagency Committee on Developmental Disabilities. These collaborative efforts strengthen public policy and assure that Federal agencies work together for the common good of persons with disabilities.

- Finally, we continue to publish our quarterly publication, **Focus**, which updates our readers on activities of the National Council and solicits input regarding policy development. We are pleased that this publication is now mailed to approximately 15,000 readers each quarter.

PLANNED ACTIVITIES FOR FY 90

Fiscal year 90 is already well under way and the National Council is working on several projects which we feel will make major contributions to the development of sound public policy for persons with disabilities. These projects include the following:

- Through the **Departments of Labor, HHS, and Education Appropriations Act** for FY 90, the National Council was allocated an additional $400,000 to continue to study the status of the education of students with disabilities. This study will build upon our report, The Education of Students with Disabilities: Where Do We Stand?, and will attempt to explore some of the problems raised in this report. Just a few of the findings cited in the report which the National Council feels should be investigated further are as follows: services are often not available to meet the needs of the disadvantaged, minority and rural families who have children with disabilities; some parents have difficulty finding appropriate services for their children; there is a perception that due process hearings are biased in favor of the schools; and upon leaving school students with disabilities and their families often have a difficult time accessing appropriate adult services and/or postsecondary education and training programs. I must add that while the National Council is pleased with this additional funding to explore the education of students with disabilities, we continue to believe that a separate, independent commission, under the direction of the National Council, is warranted and long overdue. Only when we are able to have an in-depth and impartial assessment of the implementation of P.L. 94-142, the "Education for All Handicapped Children Act",will the Congress --and the nation-- have a clear understanding of the educational needs of students with disabilities and their families.

- P.L. 100-407 the **"Technology-Related Assistance For Persons with Disabilities Act of 1988"** authorizes the National Council to conduct a major study on the financing of assistive technology services and devices for individuals with disabilities. Through Title II of the Act, the National Council will receive $250,000 this fiscal year to conduct this study. We are enthusiastic about this study because we recognize that assistive technology can often provide unlimited opportunities for children and adults with disabilities.

- Health insurance is a major concern to persons with disabilities and their families. Often these families are unable to insure their disabled family member due to a"pre-existing condition" clause which, in effect, says that persons with disabilities cannot be insured. This problem is further compounded by the fact that many disabling conditions require specialized medical care-- care which can mean the difference between a life of dependency and pain or a life of independence and productivity. To address this matter, the National Council is conducting a preliminary study on health insurance and we are confident that this study will stimulate thoughtful policy discussion on an issue which touches virtually every American with a disability.

- Another matter which the National Council has been concerned about for some time is the need to provide Personal Assistance Services (PAS) to persons with disabilities. Providing PAS will mean different things for different individuals. For example, a quadriplegic who is injured as a result of a car accident is still able to work but must have personal assistance in order to get ready for work and fulfill activities of daily living. On the other hand, a mentally retarded adult living independently may merely need someone to assist him/her in structuring a weekly budget or planning leisure activities. The National Council will hold hearings on PAS this summer and hear from a variety of disability groups about their personal assistance needs. We are hopeful that these hearings will lead to policy recommendations which will assure that persons with disabilities and their families receive these critical services.

- The National Council is continuing to work with CDC on our mutual efforts to prevent primary and secondary disabilities. We plan to co-sponsor, along with CDC, two working sessions: one on the prevention of secondary disabilities in persons who are spinal cord injured and another on secondary disabilities in individuals with cerebral palsy. Secondary disability — that is those disabilities which occur as a result of an individual's primary disability — is a major concern to the National Council. Many individuals with disabilities are experiencing greater difficulty in living and working independent, due to the acquisition of a secondary disability. We are confident that the information gleaned from these two conferences will ultimately improve the quality of life for persons with disabilities.

- In keeping with our policy of continuing to solicit input from persons with disabilities and their families, the National Council will hold public hearings on the following topics during the current fiscal year: the Special Problems Facing Persons with Disabilities and their Families Living on Islands Away from Mainland U.S.A.; the Special Needs of the At Risk Babies (Border Babies); Wilderness and Park Accessibility for Persons with Disabilities; and Disabilities which result from Injuries on Farms and Ranches in Rural America. I should point out that the forum on the accessibility of wilderness areas is pertinent due to an amendment included in the Americans with Disabilities Act on the Senate floor which calls for the National Council to do a study in this area.

o The National Council has long been concerned about the needs of Native Americans with disabilities. From the research which we have done thus far we have discovered that these persons have many unique needs which often have not been addressed for far too long. To assist in the development of public policy which will assist these Americans, the National Council, in conjunction with the Indian Health Service, will conduct a study on Native Americans with disabilities.

o The National Council plans to focus its special report for 1990 on the civil rights of individuals with disabilities. This report will trace the history of our development of the Act and explain the over-arching need for such a law.

PROJECTED ACTIVITIES FOR FY 91

As I mentioned earlier in my statement, the National Council is requesting $1.2 million for FY 91. At this time, I would like to briefly describe our projected activities for the upcoming fiscal year.

o The National Council will continue it's initiatives in such areas as prevention, health insurance, personal assistance services, civil rights for persons with disabilities, employment and education.

o The National Council, in conjunction with the Centers for Disease Control and the Indian Health Service, is considering holding a national conference on the unique needs of Native Americans with disabilities.

o In addition to our mandated quarterly meetings, the National Council is planning to hold public forums on such issues as: technological aides and devices of persons with disabilities, prevention of primary and secondary disabilities, individuals with AIDS and the service delivery system and education and employment issues.

o The National Council on Disability will continue to fulfill its statutory requirements to establish general policies for the National Institute of Disability and Rehabilitation Research (NIDRR) and the President's Committee on Employment of People with Disabilities.

o To assure coordination of programs and services affecting persons with disabilities, the National Council will continue and expand its involvement in a variety of interagency groups such as the Interagency Committee on Handicapped Research, the Federal Agency Council, the Federal Task Force on Disabled Persons and similar coordinating bodies.

In addition to our own appropriations request, we would like to recommend an increase in funding for the Centers for Disease Control's Disabilities Prevention Program. As you know, the National Council has maintained continuing interest in this program over the last several years. We firmly believe that the prevention of both primary and secondary disabilities is of paramount importance. Moreover, this program has already gleaned a wealth of information which will surely give us insight into the many complex problems facing individuals with disabilities. During the current fiscal year, this program received $4.433 million which allowed CDC to fund nine state prevention programs as well as four demonstration programs concerning secondary disabilities. We are requesting that this program receive $10 million for FY 91. This will allow CDC to fund ten additional state prevention programs plus an additional five demonstration projects.

We are proud of the contributions which our agency has made over the years. Through hard work and deliberation, the National Council has helped shape disability policy in such areas as education, health, prevention, social, employment and research which will take us well into the 1990's and beyond. We, the members of the National Council, are prepared for the challenges and complex problems which most certainly lie ahead. We are prepared to work with the Congress and the President to continue to establish public policy which will enable persons with disabilities to live and work independently and productively.

Thank you for this opportunity to testify before the Committee. I would be pleased to answer any questions you may have.

BIOGRAPHY OF SANDRA SWIFT PARRINO

Sandra Swift Parrino, of Briarcliff Manor, New York, was appointed Chairperson of the National Council on Disability (formerly the National Council on the Handicapped) in 1983 by President Reagan. She has been actively involved in issues concerning persons with disabilities for many years. Her 22 year old son, Paul, has been severely physically disabled for most of his life. She is best known as a spokesperson for parents of disabled children, as a panelist, lecturer, lobbyist, and organization official.

Mrs. Parrino serves on numerous boards and councils. She has been director of the Office for the Disabled in Ossining and Briarcliff Manor, New York; she has served on the board of Westchester County Homes for the Retarded; and she has been a member of the New York State Assembly Task Force on the Disabled, which reviews pending legislation in the State of New York. Through her efforts, many local advances have been made to improve accessibility for disabled people, such as setting up transportation services and installing voting machines for disabled persons, fund-raising to provide interpreter services for deaf people; and supervision of the school district's compliance with Federal regulations. Her major interest since becoming a member of the Council has been promoting independence and equality for people with disabilities.

Mrs. Parrino is also a member of the board of Parent Chain, and has served as an American representative to the United Nations and UNICEF for the International Year of Disabled Persons. She has also served as the North American Vice President of Rehabilitation International, a worldwide service, information, and advisory organization.

BIOGRAPHY OF ETHEL D. BRIGGS

Ethel D. Briggs serves as the Deputy Executive Director of the National Council. Ms. Briggs joined the staff of the National Council in 1985 as the Adult Services Specialist.

She was previously employed as Chief of the Office of Staff Development and Training for the District of Columbia Rehabilitation Services Administration. Her prior experience included employment as a rehabilitation counselor supervisor, vocational rehabilitation counselor and part-time instructor at George Washington University.

Ms. Briggs graduated from North Carolina Central University and holds a Master's Degree in Counseling from the University of North Carolina at Chapel Hill.

Ms. Briggs has received numerous awards for her outstanding contributions in the field of rehabilitation. She is the current President of the National Rehabilitation Counseling Association.

SPECIAL EDUCATION STUDY

Senator HARKIN. Ms. Parrino, thank you very much for being here.

Ms. Briggs, thank you also for being here.

Just a couple of questions. One concerns the money that we provided last year in the amount of $400,000 for the study in the area of special education.

What is the current status of that study, and what will be the major focus of that study?

Ms. **Parrino**. Right now, we are in the process of developing the scope of work in order to solicit a contractor to conduct the study.

The members feel that we should focus on early intervention, the overrepresentation of minorities in special education, and transition, meaning the issue of youngsters going from special education to either higher education or jobs or training.

I think we find it very frustrating that we keep hearing about this shortage of people in the labor force and the fact that we may have to ease up on our immigration laws when we have millions of youngsters who have disabilities who could be trained for these very jobs. We find that it is not only impractical but it is not appropriate that you educate these children through an entitlement act and then you have nothing for them to go on to do.

So we would like to focus on that. We think the level of unemployment is too high; and also, so many of these special education youngsters either leave school or graduate and then they just disappear. We do not know where they are. We know a lot of them go on SSI, or go on some kind of assistance, and they do not get the jobs that they want.

The employers are telling us they cannot find these youngsters. The Harris Poll talked about the two-thirds of the two-thirds who want to work. They do not know where the two-thirds are. So we think there is a population here that wants to be employed, that should be employed but are not being employed, and we think that that is something that really should be looked at through the educational system. Something is going wrong in that whole process.

When I mentioned the at-risk babies, we are having a meeting in New York, our spring meeting. We are going to have a site visit at Harlem Hospital and Hale House and some of the places, because you have these children being born with AIDS, children who are surviving, and children being born addicted because the mothers were drug addicts. We see no policies being developed to take care of these children. A lot of them are going to be impaired. They are going to have neurological problems. They are going to have some kind of disability.

Senator **Harkin**. Is that money coming out of the $400,000?

Ms. **Parrino**. We are going to try to do all of that, yes.

Senator **Harkin**. Counsel just told me that that study was basically just for Public Law 94-142, special education, that $400,000, so I am concerned.

Ms. **Parrino**. Do you mean the forum? No; the forum is not; but it ties in. My point is that at early intervention, you have children right in the District of Columbia who I understand were born with drug addiction who are presenting themselves at school right now. That early intervention is an issue at which we want to look as well.

Senator **Harkin**. I do, too. You know, I am a big promoter of early intervention. I think that is where we have to focus.

Let me submit some questions to you in writing on this study and the $400,000 for the study itself and the parameters.

Did you request from OMB any additional money to continue the study?

Ms. PARRINO. We requested, I think, $1 million, and it was denied.

We appreciate the appropriation, but you have to pick and choose. You cannot do the overall picture the way they did the major study, "A Nation At Risk", which I understand started a lot of the reform movement in education. They did a large national study. We have not been able to do that, so we are trying to do the best we can and pick out the areas that we feel are important. They are all important, I guess.

Senator HARKIN. Tell me about the mandate to establish policies for the National Institute on Disability and Rehabilitation Research. What is the current status of their 5-year plan? Are there any problems with this at all which we ought to be focusing on?

Ms. PARRINO. I think things are a little better. We are developing a memorandum of understanding between ourselves and NIDRR. Their 5-year plan has always been a problem to us, because I think they are still working with the plan they had from 1981, and they sort of update it.

Dr. Fenderson, who was there for 2 years, I think, as the director, did submit a plan in 1984, but that was not considered. It was just shelved. So we have a concern about that plan, the fact that they just sort of update an old plan that I would think is somewhat outdated.

HEALTH INSURANCE

Senator HARKIN. One last thing is the issue of health insurance. It has been raised as a major problem, as you know, by individuals with disabilities. You touched on it in your remarks.

Very briefly, at what is the Council looking? How are you addressing this problem? Are we going to be looking for some recommendations? As you know, the Pepper Commission is coming out with their long-term care proposal. Everybody always thinks of long-term care as an elderly issue, and I keep telling everybody that is just part of it. A lot has to do with the tremendous burden the families have when they have a disabled member of the family in getting adequate health insurance because of preexisting conditions.

Just in a general way, I know the Council has looked at this. Are you going to be making any recommendations in this area to us?

Ms. PARRINO. As you may recall, in the original ADA bill we had included insurance way back. Remember, we are the group they call "The Earth is Flat" Council.

Senator HARKIN. Right.

Ms. PARRINO. We said no, we just want a level playing field or something like that.

We had wanted it in their originally, so it has always been a concern of ours. We understand why it is not in there, but it was removed, and we decided just because it was removed we should not forget about it.

I think we are aware of the Pepper Commission and of what they are doing in Social Security.

We are trying to find out what has been done, and we do not as yet have the funding for this, so I think we are going to have to look for some funding to do this. This is not in our budget.

It is so broad, so enormous, that we thought we would start by having some hearings. One of the things that upsets us tremendously about this country as compared to some other countries, is that children and adults with disabilities in this country have to follow the funding source. For example, my own son, who is severely physically disabled and is 24, if I could not afford to provide him with a lot of things he would be in a nursing home right now. This is the case of many, many young people. Everything he needs is available in a nursing home, but those same things will not be provided in his home.

We would prefer to see the funding follow the disabled person rather than the person having to follow the funding. That all ties in with insurance plus the whole issue of the disincentive for employment, is the problem that very often you just cannot get the health insurance; or a family might have a child with a disability, they have insurance and then that will not be renewed at a certain point in time. So there is tremendous discrimination on the part of the insurance companies.

It is very, very broad. We just thought that we should do something, and we are going to start to maybe have some hearings and start looking at the problem as best we can.

Senator **Harkin**. I just want to make sure that as the train is leaving the station on long-term care that, again, I obviously have a concern about the elderly, of course, but we have to make sure they understand it is much broader in scope than that and that as we look at the various ways of solving the long-term care crisis through Federal programs, insurance programs or whatever mix that is going to be that we make sure that the disabled citizens are also folded into that program.

That is why I hope that the Council will look at the Pepper Commission's report with a view of looking at it from the point of view of the disability community and how they fit into that. If they do not and things need to be changed, I hope you will obviously let us know. I am sure you will. [Laughter.]

Thank you both very much. Again, my heartfelt thanks for all that you have done in the Council, and keep up the good work.

Ms. **Parrino**. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Harkin**. Thanks, Ms. Briggs. There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EDUCATION OF THE HANDICAPPED STUDY

The FY 1990 bill provided $400,000 for the Council to conduct a study in the area of special Education.

What is the current status of the study and what will be the major focus?

Did the Council request funding in its submission to OMB to continue with this study in FY 1991?

ANSWER:

The National Council is delighted with the additional $400,000 we have received this year to continue our study of special education. However, as you know, four hundred thousand dollars will not permit the National Council to conduct an in-depth study of the educational system as it relates to children with disabilities. The National Council is in the process of developing the scope of work in order to solicit a contractor(s) to conduct this study. The major focus of this study will be to further explore the issues and concerns which were raised in the National Council's preliminary report, The Education of Students with Disabilities: Where Do We Stand? Areas such as early intervention, transition and the over representation of minorities in special education will be addressed.
The National Council requested one million dollars its fiscal year 1991 Budget Request to the Office of Management and Budget (OMB) for the this study. However, the request was not approved by OMB. The National Council strongly believes that in order to conduct an in-depth study of the educational system similar to a Nation at Risk, additional funding is needed.

P.L. 94-142, The Education for All Handicapped Children Act was enacted in November of 1975. Yet, there has not been a comprehensive, independent study of the needs of students with disabilities to date. While our report highlights several areas of concern, we were unable to conduct the type of in-depth study which we feel is warranted. An additional appropriation would allow the National Council to examine the underlying issues raised in our report and discern the implications for public policy in these areas.

PREVENTION

The Committee has been very interested in the involvement of the Council with the Centers for Disease control regarding disability prevention.

Is there a cooperative working relationship between the Council and the Centers for Disease Control?

ANSWER:

The National Council and the Centers for Disease Control have an extraordinary working relationship. Since the inception of the Disabilities Prevention Program, our two agencies have worked closely together to assure that the goals of this program, as conceived by the National Council, are fully realized. For example, in November of 1988 and again in May of 1989, we participated in two Project Workshops, which brought together the state-based prevention projects to discuss the goals and issues facing these programs. In August of 1989, CDC joined the National Council in hosting the conference, Disability: A Family Affair. Their support of this effort was outstanding and certainly contributed to the success of the conference. These meetings and conferences are in addition to regular consultation between our two agencies regarding a variety of matters which impact on the prevention of disabilities.

During the current fiscal year, we are cosponsoring two workshops with CDC: one on the prevention of secondary disabilities in persons who have spinal cord injuries and the other on the prevention of secondary disabilities in persons who have cerebral palsy. We are confident that these two workshops will contribute substantially the the body of knowledge which we have regarding the effects of secondary disability.

Both the National Council and CDC are deeply committed to continuing this cooperative working relationship. In the coming fiscal year, the National Council and CDC plan to cosponsor a conference on the prevention of disabilities. We feel that such a conference will further highlight the need to focus attention on the prevention of both primary and secondary disabilities.

HEALTH INSURANCE

It is my understanding that the issue of health insurance has been raised as a major problem by individuals with disabilities.

How is the Council addressing this problem?

ANSWER:

In 1988 when the National Council originally drafted the Americans with Disabilities Act, included was a provision designed to prohibit discrimination in the area of health insurance. However, it was subsequently deleted. Health insurance for people with disabilities remains a priority of the National Council.

Over the last several years, in public forums held across the United States, the National Council has heard repeatedly from persons with disabilities and chronic conditions that barriers to adequate health insurance constitute a major impediment to education, employment and independent living.

The National Council on Disability plans to explore issues related to the adequacy, affordability and accessibility of health insurance for people with disabilities. We hope to get support from the private sector and other government agencies on this initiative.

NATIONAL INSTITUTE OF DISABILITY AND REHABILITATION RESEARCH

Included in the mandate of the Council is the responsibility to establish policies for the National Institute on Disability and Rehabilitation Research.

What is the current status of NIDRR's five-year plan. I remember last year, that there was a problem with cooperation. Has this changed?

ANSWER:

To my knowledge, the National Institute on Disability and Rehabilitation Research has not developed a five-year plan since the Long-Range Plan developed in 1981 and sent to Congress. Over the years, NIDRR has held participatory planning reviews of the Plan. In 1983, a participatory planning meeting was held to assess and update the plan. Priorities were developed on the basis of the planning meeting but a revised plan was not developed. A revised plan was developed in 1984, however, it was not approved by the Assistant Secretary for the Office of Special Education and Rehabilitative Services at that time. In 1986, another participatory planning meeting was held. The National Council, which was represented at the first meeting, was involved in setting up this second meeting. Recommendations were made for policy directions, with particular emphasis on family. In 1989, NIDRR contracted with the National Academy of Sciences for a pre-planning meeting to develop a structure for a long-range planning process. Since the meeting, NIDRR has developed a work statement to let a contract for the purpose of developing a long-range plan, however, a decision to move forward with it awaits the arrival of the director.

The working relationship is better between the National Council and NIDRR. We have had several meetings with the Acting Director and with the Assistant Secretary of the Office of Special Education and Rehabilitative Services. NIDRR has assigned a staff person to serve as liaison with the National Council. This person attends the National Council's quarterly meetings to provide an update on NIDRR activities to the members. Once the director is in place, the National Council is planning to meet with the Assistant Secretary and the director to discuss the development of a Memorandum of Understanding which will clearly define and outline the National Council's role in the establishment of policies for the National Institute on Disability and Rehabilitation Research.

PERSONAL ASSISTANCE SERVICES

You made reference, in your testimony, to the need for personal assistance services.

What has been the Council's involvement in addressing this need?

ANSWER:

The National Council plans to place a major focus on this issue in the coming year. Members of the Subcommittee may recall that in the National Council's 1986 report to Congress, Toward Independence, we called for the development of a strong national policy on personal assistance services. In this publication we called for the development of national policy which defines personal assistance services and the establishment of national standards for the delivery of such services. It is very important to note that the National Council firmly believes that these services must include all disability groups and must provide a broad range of services including assistance for those persons who are physically disabled, readers for blind individuals and interpreters for persons who are deaf.

Since the publication of Toward Independence, we have continued to talk to experts in the field and formulate data which will further substantiate what we feel is one of the most pressing needs of the disability community. Most recently, we began to do a through literature review on personal assistance services. We plan to have a day and a half of hearings on this topic. These hearings, which have been tentatively scheduled for August, will take a cross-disability approach to personal assistance services. We are hopeful that these hearings will become the catalyst for the establishment of a national policy on personal assistance services. The National Council firmly believes that without a strong national policy on this issue the rights envisioned in the Americans with Disabilities Act will be empty promises for millions of Americans with disabilities and their families.

ADMINISTRATIVE

It is my understanding that the Council has three vacancies.

How soon do you expect those vacancies to be filled?

ANSWER:

The following positions are vacant at the National Council: the executive director, public affairs specialist and administrative/budget officer. The National Council is in the process of filling those vacant positions at this time. The search committee of the National Council has interviewed the applicants determined eligible for the executive director's position and will be making a selection within the next thirty days. We have announced and received applicants for the public affairs positions which are currently being reviewed by the Office of Personnel Management. We anticipate having this position filled very shortly. The administrative/budget officer position is being rewritten and reclassified. We expect to have this position filled within the next few months.

Past Year Budget Information

In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

1) Total Salaries and Expenses

2) Amount of your appropriation that was unused and turned back to the Treasury

3) Equipment-Expenditures

4) Fourth Quarter Expenditures (all items over $3,000)

	85	86	87	88	89	90 EST
Total S & E (Less Study)	723,000	724,000	853,000	871,000	960,000 *200,000	1,140,000 *400,000
Unobligated balance lapsed	27,000	8,000	7,000	21,000	0	
Equipment	180,000	9,000	4,000	0	15,000	16,000
4th Quarter	will submit when data arrives from Kansas City	will submit when data arrives fr. Kansas Cty	297,000** 34.8%	210,000 24.1%	285,000 29.6%	

*Education Study

** 66,000 of 90,000 total research and 11,000 of 11,000 printing adjusts percent after backout $77,000 to 29.2 percent.

FEDERAL MEDIATION AND CONCILIATION SERVICE

STATEMENT OF ROBERT P. BAKER, ACTING DIRECTOR

ACCOMPANIED BY MARY P. DURKIN, BUDGET OFFICER

BUDGET REQUEST

Senator **Harkin**. Next we will have the Federal Mediation and Conciliation Service, established in 1947 as an independent agency to provide assistance in the settlement and prevention of labor and management disputes in all sectors of the economy except in railroad and airline industries.

The request this year is $26.312 million. That is a decrease of $242,000 in authority and $136,000 in outlays.

Testifying today is Mr. Robert Baker, Acting Director of the Service.

Mr. Baker, if you would summarize your remarks, your full statement will be made part of the record. Welcome.

Mr. **Baker**. Thank you, sir. I have with me Ms. Mary Durkin, our budget officer.

FMCS continues to operate four major programs: dispute mediation, which is direct assistance to labor and management in the contract negotiation process, in which we expect a slight workload increase; preventive mediation, which is assisting the parties to improve their relationship and to avoid disputes—preventive mediation is becoming an increasingly large segment of our workload; arbitration services, which provides panels of arbitrators and general supervision over that process to labor and management; and the Labor-Management Cooperation Program, which we refer to as a grants program. Those are our four major programs.

PREPARED STATEMENT

Internally, we are involved in two things which I would suggest may be of interest. We are heavily involved in training and educating our work force to meet the ongoing challenges of labor and management across the Nation, and we are heavily involved in improving our communications to make our staff aware of the latest technology and techniques as the collective bargaining process changes.

That is my brief opening statement, sir. I would be happy to respond to any questions.

[The statement follows:]

STATEMENT OF ROBERT P. BAKER

Mr. Chairman and Members of the Subcommittee:

It is with pleasure that I appear before this Subcommittee to present the Federal Mediation and Conciliation Service's (FMCS) Fiscal Year 1991 appropriation request.

The budget justification materials now before you support our request, and with the appropriation that is requested, we will be in a position to carry out the FMCS mission.

Mr. Chairman, the Service was established by the Congress in 1947 as an independent agency charged with helping labor and management settle their disputes. At the time the agency was created, the collective bargaining process was only beginning to expand beyond the traditional issues of wages, hours and conditions of work.

Since 1947 the scope of collective bargaining has spread far beyond those traditional boundaries. Today's negotiations involve issues such as health care for workers and their families, the quality of work life, joint problem-solving procedures meant to increase productivity and profitability, retirement benefits and joint occupational health and safety programs.

The increased span of issues at the bargaining table has produced significant changes in the relationship between labor and management and within FMCS. Specific developments include:

Dispute Mediation

Work stoppages, in decline for most of the 1980's, rose in 1989. While it is not clear that this change constitutes a permanent upward trend in work stoppages, some observers believe that strikes will increase moderately in the 1990's. Issues in collective bargaining will include health care cost containment, compensation packaging, pensions, merit pay, job security and management rights proposals. Total compensation packages are expected to continue to include lump sum payments, incentive plans and stock ownership provisions.

FMCS expects to be actively involved in 7,200 dispute mediation cases in Fiscal Year 1991. These cases will be in the electronic manufacturing, coal mining, rubber, trucking, farm implements, construction, utilities, apparel and textile, aerospace, retail food, health care, hotel, shipping and maritime industries.

Preventive Mediation

Preventive Mediation is an essential method of assisting the labor-management parties in avoiding disputes and improving their relationships. It also introduces labor and management to methods of avoiding some of the basic causes of work place strife and provides training in approaches that alter a previously hostile environment. Our work in Preventive Mediation has become more critical in recent years because of stresses placed on the collective bargaining process. Federal mediators will be involved in 1,450 preventive mediation cases in Fiscal Year 1991 and will utilize a variety of approaches in problem identification and conflict resolution. Activities will include sponsorship of conferences and seminars, consultation and liaison, creation and expansion of labor-management committees, development of training modules, use of our program called Relationships By Objectives and presentation of three new programs -- Orientation to Labor-Management Initiatives, Partners in Change, and Win-Win Negotiations. These new programs were developed jointly by the Service and the Department of Labor's, Bureau of Labor-Management Relations and Cooperative Programs.

Arbitration

Arbitration is used almost universally to resolve labor disputes arising out of the interpretation of collective bargaining agreements. Title II of the Labor-Management Relations Act directs that governmental facilities be made to promote the use of arbitraton. To that end, FMCS has provided, since its inception, lists of experienced, qualified arbitrators to labor and management from which they select individuals to hear and decide disputes. In Fiscal Year 1991 the Service expects to issue 33,000 panels of arbitrators.

Labor-Management Cooperation Program

The Labor-Management Cooperation Act of 1978 authorizes the Service to carry out a program of grants and contracts to support the establishment and operation of plant, area, and industry labor-management committees. In Fiscal Year 1990 the Service expects to award 15 to 17 new grants and 12 extension grants to continue the work of grantees originally funded in Fiscal Year 1988. The administration believes that labor-management cooperation committees should be funded by the parties involved. Therefore, no funding is requested for new or extension grants in FY 1991.

Summary

Federal Mediation and Conciliation Service programs are all designed to improve this country's collective bargaining process. Through Dispute Mediation, our mediators help to avert and minimize work stoppages. Through Preventive Mediation, mediators strive to improve long-term labor-management relationships and through arbitration services our staff assists with improved contract administration.

To meet the demands of the 1990's we must hire and retain the most qualified work force possible, and we must provide our staff with the tools they need to carry out our programs. To accomplish our ambitious objectives, we will need a full-time-equivalent (FTE) level of 322 and an appropriation of $26,312,000. I believe that the budget justification before you substantiates this request.

Mr. Chairman, I will be glad to respond to any of your questions.

BIOGRAPHY OF ROBERT P. BAKER

Robert P. Baker is the Acting Director of the Federal Mediation and Conciliation Service (FMCS). He assumed the duties of this position in January 1989. Mr. Baker also serves as the Service's Regional Director for the Eastern Region based in Atlanta, Georgia. In his role as Acting Director, he has responsibility for all mediation, arbitration, and administrative programs of the Agency.

Mr. Baker has served in various positions within the Service for the last twenty-seven years. He has held the position of Regional Director since 1984. Prior to that Mr. Baker was District Director and Acting Regional Director in San Francisco from 1976 to 1984. While in these positions, he was responsible for the mediation services on the West Coast and he supervised the region-wide preventive mediation and public information programs.

Prior to assuming these managerial duties, Mr. Baker was a mediator in Atlanta, Georgia, where he handled a full range of labor-management disputes.

Mr. Baker held the positions of Business Manager and Assistant Business Manager for the Lake Charles (Louisiana) Metal Trades Council and Local 407 of the International Union of Operating Engineers before coming to FMCS. His duties included negotiation and administration of collective-bargaining agreements covering approximately 5,000 employees. He served as an oil refinery operator before assuming the union duties.

From 1944 to 1946, Mr. Baker served in the U.S. Army.

DISPUTE MEDIATION

Senator **HARKIN**. I noted in your statement here that in dispute mediation, you said, "Work stoppages, in decline for most of the 1980's, rose in 1989."

Mr. **BAKER**. Yes, sir.

Senator **HARKIN**. You will be actively involved in 7,200 dispute mediation cases in fiscal year 1991. How does that compare to last year?

Mr. **BAKER**. We were involved in approximately 7,080 cases last year.

Senator **HARKIN**. So you will be up 120?

Mr. **BAKER**. Yes, sir.

Senator **HARKIN**. Why are you getting less money than you got last year?

Mr. **BAKER**. We are not requesting a continuation of the labor-management cooperation funding, sir.

LABOR-MANAGEMENT COOPERATION PROGRAM

Senator **HARKIN**. Labor-management cooperation funding; let me take a look at that now.

[Pause.]

Despite the fact that Congress has consistently supported funding for the Labor-Management Cooperation Grants Program and the fact that during the last year's budget oversight hearing FMCS testified that this was a good program, the fiscal year 1991 budget again assumes no funding for these cooperative grants.

Can you tell me why that is if everybody supports it?

Mr. **BAKER**. It is the position of the administration, sir, that these should be funded by the parties involved.

Senator **HARKIN**. Do these fund the labor-management councils?

Mr. **BAKER**. Yes, sir; they are grants given to area labor-management committees, industry committees, and inplant committees.

Senator **HARKIN**. I cannot understand why you would not want to fund that. We have one that has operated, the Quad Cities Labor-Management Council in Davenport. It goes across the river between Illinois and Iowa. I just paid a visit to it.

Mr. **BAKER**. Yes, sir.

Senator **HARKIN**. They just had a meeting there. They had labor and management there. They had been successful in getting together—I am trying to think what the project was. There was a new building project there, many millions of dollars, a construction project, and through this group, Quad Cities Labor-Management Council, they were able to bring all the parties together. They hammered out all their agreements beforehand. There were no work stoppages, no strikes; they got the project done under budget and before the scheduled completion time. Everybody was happy.

Mr. **Baker**. The quality and the value of such programs, Senator, is very clear. Since 1981 when Congress began to appropriate money for this purpose, of the committees that we have funded, our records show approximately 75 percent of them remain in effect and remain effective.

I strongly feel that the committees need to be encouraged, fostered, and assisted. Of course, we assist them through our personnel and the resources of our regular budget.

The question solely is whether or not Federal funds are used for that purpose. Again, it is the position of the administration that Federal funds should not be used.

Senator **Harkin**. Again, I am not trying to put you on the spot. I just want to know where everybody is in this arena.

Did you request funds from OMB?

Mr. **Baker**. Yes, sir; we did.

Senator **Harkin**. OK, I just wanted to know if you think it is an important program. I do. I had not been too much involved in it until I actually saw it in operation. You tell me that over three out of four that were started are still in existence and still operating.

Mr. **Baker**. Yes, sir.

Senator **Harkin**. Has the example I gave you sort of been the kind of standard?

Mr. **Baker**. Precisely, Senator. That is the usual result, to varying degrees in different situations; but we do see a distinct improvement in worker morale, productivity, and the general labor relations climate when these programs are instituted. We have requested funds.

Senator **Harkin**. It sounds like a good idea to me.

Are you going to be awarding any new grants in 1990?

Mr. **Baker**. Yes, sir; we were appropriated $1.4 million for direct grants, which will fund approximately 15 to 17 new grants, plus 12 existing grants will be extended. This will be the first year in which we have funds to extend grants for a longer period.

Senator **Harkin**. Well, we will be taking another look at that again this year.

Mr. **Baker**. Our appropriation request, of course, is absent the grant money that we were given for fiscal year 1990. That is why it is a decrease for 1991. We are actually asking for an increase in other programs.

Senator **Harkin**. I am sorry. Say that again, Mr. Baker.

Mr. **Baker**. The total appropriation amount that we are requesting is absent grants in the Labor-Management Cooperation Grants Program. We are actually asking for an increase in our other programs.

BASEBALL NEGOTIATIONS

Senator **Harkin**. In the other programs; yes, I understand that. Are you monitoring the Baseball Players Association?

Mr. **Baker**. Yes, sir; we are.

Senator **Harkin**. Have they broken off negotiations again? It sounds like they could use a labor-management council. [Laughter.]

Mr. **Baker**. I understand they have agreed to establish a labor-management committee after they get through this negotiation. I hope that that is going to be effective. I really do not like to make a public statement about the process, but I think it is still dynamic, and as a baseball fan I have some hope.

PITTSTON COAL STRIKE

Senator **Harkin**. The Pittston coal strike which is about 1 year old, I understand they have reached an agreement now?

Mr. **Baker**. Yes, sir; they have. It is very complex.

Senator **Harkin**. How will this affect other contract negotiations in the coal industry?

Mr. **Baker**. The basic contract, as I understand it, without having personal knowledge of a lot of details, is not dramatically different from other coal contracts. The principal difference, I think, will be in the way the industry looks at what, in my terminology, I would call social welfare programs, particularly in Appalachia.

The funds set up originally by the coal operators, the owners, and the United Mine Workers, dealt very heavily with providing pensions and health benefits for a lot of people who did not have the classic and historic affiliation with one employer which would fund pensions and health care into their later years, their retirement years. I think this agreement is going to cause everybody concerned to take a new look at how that is done.

CONTRACT DISPUTES

Senator **Harkin**. Last, each year we see an increasing number of contract disputes over pay and benefit package cuts. Again, it is just my own sense of reading the newspapers and talking with constituents both in labor and management that more and more we see the fights over basically the health benefits packages. Those are becoming an ever bigger and bigger burden on management. As a way of cutting costs and trying to remain competitive, they seem to be zeroing in on that more than they are the pay.

I just wonder how this is impacting you and your workload. Do you see this as an increasing trend, more disputes over the benefits area?

Mr. **Baker**. It is a very volatile area, Senator. An increasingly large percentage of our caseload involves these types of disputes. Health care costs are a serious issue. It seems to be moving from an arena in which the parties simply confront that subject on an economic basis—the cost has gone up, who is going to pay it—and having a labor-management confrontation about that. We are working diligently to try to get people to look at this issue as a joint problem. True, it has to be funded by the employer, by the employee or by them jointly, but primarily the containment of those costs, the delivery of the best possible health service at a reasonable price, is something that both labor and management have to look at very diligently.

That relates to some of our preventive mediation efforts, too, and could relate to some of our work with area labor-management committees where a community can focus on health care needs and how to fund them.

Senator **HARKIN**. Thank you again, Mr. Baker, very much for being here and for your testimony. We look forward to working with you in the upcoming cycle.

Mr. **BAKER**. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **HARKIN**. There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BASEBALL STRIKE

Question. It is my understanding that the Major League Baseball Players Association has broken off negotiations over a new agreement that would cover 800 players. Are you monitoring this situation?

Answer. FMCS monitored the baseball negotiations. Two mediators, District Director Brian Flores and Commissioner Ken Kowalski were in regular touch with the principle spokesmen for both sides. The parties were aware of the availability of FMCS to assist them in their negotiations. Newly appointed FMCS Director Bernard E. DeLury was in daily touch with the assigned mediators and kept the Secretary of Labor advised on the status of the negotiations. The parties reached agreement on March 18th without the need for our intervention.

PITTSTON COAL STRIKE

Question. The Pittston Coal strike began on April 5, 1989, after 14 months of negotiations broke down. It is my understanding that an agreement has been ratified. Will the settlement of this strike have an impact on other contract negotiations in the coal industry?

Answer. The Pittston agreement included a number of changes in health and pension benefits. It is very possible that the September negotiations between the United Mine Workers and the Bituminous Coal Operators (BCOA) will address these changes as part of their discussions.

DISPUTES OVER PAY AND BENEFIT PACKAGES

Question. Each year, we see an increasing number of contract disputes over pay and benefit package cuts. How is this impacting on your workload, and what steps are being taken to avert strikes?

Answer. There has been a pattern of change in wage packages developing over the last two years in which the parties are abandoning the use of two-tier pay systems and increasing the use of lump sum payments supplementing or replacing wage scale increases. During this same period, there has been a moderate increase in wage settlements, offset by the use of bonuses.

Benefit issues include health care cost increases, changes in pension plans and other adjustments.

These matters are being addressed at various mediator training programs to familiarize mediators with these changes and various settlement patterns for their use in mediation with the parties.

The most recent training activities have been regional training seminars in New Orleans in January 1990 and in San Diego in March 1990.

Question. Do you expect the trend of increased number of disputes over pay and benefits to continue?

Answer. FMCS does expect that these issues will continue and even increase for the next several years.

MERGERS/HOSTILE TAKEOVERS

Question. In today's economy, we are also seeing an increase in the number of mergers and hostile takeovers. What steps are you taking to assist American workers in these situations?

Answer. FMCS does not have a specific program to address the problems for workers created by mergers and hostile takeovers. To the extent that these issues arise in bargaining, especially when the negotiations include discussion of provisions to protect workers against the effects of future mergers, etc., the mediators are equipped to deal with these matters.

Question. Do you see this as a continuing trend, and what would be your recommendations on dealing with these situations?

Answer. Yes, we expect this trend to continue, at least for the short term. Because these situations vary considerably, we recommend that the Service continue to handle these situations on a case-by-case basis either through dispute mediation or consultation.

CONTRACT NEGOTIATIONS

Question. I note from your budget justification that because of the number of major contracts expiring in 1991, you are anticipating an increased workload. What do you see as the trouble spots in FY 1991?

Answer. We anticipate trouble spots in bargaining concerning health care cost containment, compensation packaging, pensions, and management rights. Other issues we are watching include job security, two-tier pay systems, lump sum payments in place of wage scale improvements, and training and re-training provisions.

LABOR-MANAGEMENT COOPERATION GRANTS

Question. Despite that fact that Congress has consistently supported funding for the Labor-Management Cooperation Grants Program and the fact that during last year's budget oversight hearing FMCS testified that this was a good program, the FY 1991 budget again assumes no funding for Labor-Management Cooperation Grants. Why?

Answer. The Administration believes that labor-management cooperation committees should be funded by the parties involved, not the government.

Question. Where do you currently stand on awarding new grants in FY 1990, and how many continuation grants will be awarded?

Answer. The deadline for applications for grant funds is May 5, 1990. Grants will be awarded by September 30, 1990.

We expect to award 12 continuation grants.

HEALTH CARE INDUSTRY

Question. The Health care industry is the only industry for which mediation is mandated by law. Given the current economic status of the health-care industry, do you expect that there will be a greater number of requests for mediation in that industry?

Answer. FMCS does expect an increase in mediation activity in negotiations in the health care industry. There is a continuation of union growth among workers in this industry reflecting strong organizing efforts by unions. There is also a trend toward mergers of various unions especially those representing nurses and other professionals and para-professionals. These trends, together with increasing costs, will cause greater difficulties in labor negotiations when workers demand economic improvements.

SALARY INCREASES

Question. The budget for FMCS is labor-intensive. Virtually all of your FY 1991 request is for personnel and related travel and support services. Your budget requests an increase of $1,146,000 for these costs in FY 1991. Does your FY 1991 budget request include the cost-of-living adjustment for FY 1991 and the increased salary costs as a result of the executive pay increase?

Answer. The Service's budget request includes one-half of the funds needed for the Fiscal Year 1991 cost-of-living adjustment and the executive pay increase.

PAST YEAR BUDGET INFORMATION

Question. In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

1) Total Salaries and Expenses
2) Amount of your appropriation that was unused and turned back to the Treasury
3) Equipment-Expenditures
4) Fourth Quarter Expenditures (all items over $3,000)

Answer.

	Estimate 1990	1989	1988	1987	1986	1985
1) Salaries and Expenses	26,554,000	25,748,090	24,264,583	23,522,237	22,369,942	23,704,595
2) Amount Returned to Treasury End of FY	0	64,910	5,417	362,763	18,058	140,405
3) Equipment Expenditures	75,000	476,313	162,661	284,660	49,051	131,134

4) 4th Quarter Expenditures Exceeding $3,000 *	Estimate 1990	1989	1988	1987	1986	1985
	1,115,000	1,121,993	827,376	1,299,927	953,912	1,022,545
Labor-Management Cooperation Grants	988,000	929,640	817,000	1,000,000	931,582	1,000,000
Audio Visual Movie Production	--	39,193	--	--	--	--
Audio Visual Equipment	--	--	—	40,362	—	4,600
Data Processing Support	22,000	22,000	--	56,909	--	--
Data Processing Supplies	3,000	7,290	--	7,500	—	—
Data Processing Equipment	15,000	34,023	6,376	22,000	10,000	—
Data Processing Maintenance of Equipment	30,000	—	--	--	--	--
Subscriptions	--	3,687	--	--	--	--
Miscellaneous Supplies	25,000	—	--	17,335	5,190	7,187
Printing of the Annual Report	4,000	--	4,000	4,000	--	--
Printing FMCS Forms, etc.	6,000	—	--	7,600	3,380	—
Maintenance/Repair of Furniture Machines, and Equipment	5,000	—	—	3,600	—	--
Moving Furniture and Equipment	3,000	--	—	6,922	3,760	--
Office Repairs/Alterations	5,000	--	—	71,222	—	7,175
Furniture-Primarily for Conference Facilities	5,000	40,884	—	44,385	—	--
Machinery and Equipment- Laser Copier, Typewriters, Fax Machines, Dictaphone Answering Machines	4,000	41,826	—	18,092	—	3,583
Soundproofing-Field Office	--	3,450	--	--	--	--

* In addition to Personnel Compensation, Benefits, Rents, Communications and Utilities, we had 4th quarter expenditures exceeding $3,000 as indicated.

NATIONAL MEDIATION BOARD

STATEMENT OF JOSHUA M. JAVITS, CHAIRMAN

ACCOMPANIED BY:

WALTER WALLACE, FORMER CHAIRMAN
PATRICK J. CLEARY, BOARD MEMBER

INTRODUCTION OF ASSOCIATES

Senator HARKIN. Next is the National Mediation Board. The National Mediation Board is charged with mediating collective bargaining and representation matters of employees of the railroad and airline industries to prevent the interruption of interstate commerce.

The fiscal year 1991 request is for $6.675 million, an increase of $291,000 over last year.

Testifying today is the Chairman of the Board, Mr. Joshua M. Javits.

Mr. Javits, we are pleased to have you with us today. Your statement in full will be made a part of the record. If you would summarize it and introduce the individuals who are with you, we would appreciate it.

Mr. JAVITS. Thank you, Mr. Chairman.

On my left is the Honorable Walter Wallace, former Chairman of the Board and former member of the Board. On my right is the Honorable Patrick Cleary, member of the Board since December 1989, former Deputy Assistant Secretary, Office of Policy in the Department of Labor. We are very pleased to have him completing our Board. We have a full Board for the first time in more than 1 year.

SUMMARY STATEMENT

Mr. Chairman, to summarize the submitted statement, the National Mediation Board is requesting an appropriation of $6,675,000 for fiscal year 1991, $291,000 more than is available for fiscal year 1990.

The primary functions of the Board under the Railway Labor Act include:

Mediation in connection with collective bargaining and representation matters concerning employees in the railroad and airline industries. For this we are asking $3,866,000.

A second function of the Board relates to voluntary arbitration and the investigation of critical disputes through the emergency board procedure. We are asking $577,000 for this item.

PREPARED STATEMENT

Another function of the Board is the adjustment of employee grievances in the railroad industry. For this we are requesting $2,232,000 be appropriated for fiscal year 1991.

This completes a brief summary of my statement. If you have any questions, I would be happy to answer them.

[The statement follows:]

QUESTIONS SUBMITTED BY JOSHUA M. JAVITS

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for Fiscal Year 1991.

The total amount requested for Fiscal Year 1991 to administer the Railway Labor Act is for $6,675,000, and a personnel complement of 58 positions.

The appropriation for the National Mediation Board is requested for expenses necessary to administer the provisions of the Railway Labor Act, as amended. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries, as well as to handle questions of employee representation and to administer the arbitration provisions of the Act.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of handling grievances arising under the terms of collective bargaining agreements in the railroad industry.

In 1966, the President signed Public Law 89-456, which further amended certain provisions of Section 153 of the Act. Under the Public Law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of at least one year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

Mediatory Services

For mediatory services for Fiscal Year 1991, we are requesting $3,866,000, an increase of $251,000 over Fiscal Year

1990. These services include mediation relating to the making and amending of collective bargaining agreements, procedures relating to the selection by employees of their bargaining representatives, and a number of administrative duties consistent with statutory authority under the Act and related statutes governing railroad and airline labor disputes procedures. The Board foresees an increase in this activity largely due to the continuing effects of both airline and railroad deregulation, to mergers and to splintering of railroad carriers from national bargaining.

The first national bargaining for the railroad industry since 1984 currently is ongoing and has been complicated further by the fact that selected carriers and unions have chosen to bargain separately, rather than through their respective national committees, as has been the case in the past. This has placed greater demands on the services of the Board and its mediators.

In the airline industry, expansion of air service is continuing and there are a large number of important contract negotiations in Fiscal 1990 and 1991. Included are contracts between pilots or mechanics unions -- or both -- at large carriers like American, United, Pan American, Alaska, Midway and Southwest. Pilots at roughly 20 regional airlines also have been unionized during the past two years, expanding the total number of negotiations that may require assistance from the Board and its mediators.

President Bush's budget includes a record level of aviation spending to modernize air traffic control facilities and expand the safety and convenience of air travel. The enormous growth in the airline industry is continuing with about 460 million people projected to travel by air this year. Continuing competitive pressures in the airline industry will result in difficult contract negotiations.

Voluntary Arbitration and Emergency Disputes

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through emergency board procedures. In these arbitration proceedings, disputes over contract formation are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to Section 160 of the Act. When the Mediation Board finds that a dispute not resolved in mediation threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a special emergency dispute procedure for publicly funded and operated commuter carriers and their employees. Under this procedure, the President is required, upon request of any party to a labor dispute, including the Governor of the State, to establish possibly two successive emergency boards.

The Mediation Board is requesting $577,000 for these activities, the same amount as is available in Fiscal Year 1990. As in the past, we will continue to hold this amount in a special category and use it only for voluntary arbitration and emergency disputes. Any amount not needed for this purpose will be lapsed at the end of the year.

Adjustment of Railroad Grievances

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of work rules. Administrative responsibility for fiscal management of the Adjustment Board was placed with the National Mediation Board. As indicated earlier in my statement, the Mediation Board administers Public Law 89-456, which amended certain provisions of Section 153 of the Railway Labor Act.

Over the years, the grievance system has become overburdened with a large number of undecided cases. Further aggravating this situation, has been a substantial number of cases which were heard but undecided by neutrals, and an increase in the time required to issue awards.

Recognizing the need to reevaluate the railroad grievance system, rail labor and management established a bipartisan committee to review the entire grievance handling process. Recommendations for improving the grievance handling system were jointly agreed to by the participants and a copy of their report was submitted to you in 1988.

We are encouraged that substantive changes in procedures have been implemented as a result of this committee's work and we are optimistic that its comprehensive recommendations will be given serious consideration by both labor and management. We believe that substantial progress has been made during the past two years and anticipate that these efforts will continue to bear fruit during FY 1990 and 1991.

Achievements include adoption of uniform rules for the four divisions of the National Railroad Adjustment Board for the first time in 53 years; the restriction of neutrals with a large backlog from hearing other cases; and the allocation of work days based on each neutral's productivity and caseload. Also, the parties are being urged to settle disputes prior to resorting to arbitration, to use precedent for resolving similar disputes and to handle similar claims together.

Since a source of concern is the number of cases pending in the system, in June 1989 the Board requested the parties to examine jointly and come to an agreement on the current caseloads for each open public law board and to identify the issues in each case. The issues designated by the parties will be used for case index. The uniform numbering system will allow the Board to track cases. A generic subject index of the disputes and decisions may be used by the parties to determine similar claims before they are brought to final and binding arbitration. This approach will produce two main benefits: first, it will save costs for the parties to the disputes as well as for the Government; and, second, it will bring claims that must be arbitrated to speedier conclusion.

An additional benefit of this project, which is approximately 95 percent complete, has been that the parties have advised that 300 public law boards could be closed, thereby reducing the pending caseload by more than 5,000 cases. The Board has requested the same information on Special Boards of Adjustment and we are anticipating reduction in the SBA caseloads. We expect continued cooperation of the parties in this initiative, which is essential since the Railway Labor Act does not give the Board control over the number of cases submitted or resolved. Therefore, to provide uninterrupted arbitration services for the entire fiscal year, the Board requests $2,232,000 for the adjustment of railroad grievances.

This completes my statement. If you have any questions, we will be happy to answer them.

EASTERN AIRLINE

Senator HARKIN. The Board has held hearings from May through December 1988 about whether Eastern and Continental Airlines effectively are being run as a single air transportation system by their parent company, Texas Air. That was back 1 year ago.

Now 1 year has gone by without the National Mediation Board rendering a decision. Why, and what is the reason for the delay?

Mr. JAVITS. The hearings lasted for more than 6 months, and they ended in February 1989. We have been addressing that issue.

The issues are complex. The issues are novel. It is the first time the Board has had such a case. The issues will affect the two industries we deal with deeply in the future. The transcript in that case was over 10,000 pages. We have 200,000 pages of exhibits and over 700 pages of briefs.

We have been diligently working on the case. It is not yet out, but we do expect to have it out in the reasonable near future.

Senator HARKIN. What does that mean?

Mr. **Javits**. I cannot give you a time date. I was about to say we have a new member of the Board as well. Although Mr. Wallace and I have been here and have read the transcript and the key documents, Mr. Cleary just joined the Board and has to be given an opportunity to go over that matter.

May I just add that the Board needed additional material which it had to go to court to obtain and which we finally did obtain in the spring last year.

Senator **Harkin**. The spring of 1989?

Mr. **Javits**. That is correct.

Senator **Harkin**. Do you think you might have a decision out by this summer?

Mr. **Javits**. I think we might well.

Senator **Harkin**. Given your experience with Eastern Airlines, have you developed any procedures to avert a similar prolonged situation in the airline and rail industry? Have you developed any new kinds of procedures or new or different approaches?

Mr. **Javits**. We all learn from our experiences, Mr. Chairman. Certainly as Monday morning quarterbacks we might have done things differently. It was a very difficult case. One can say an intractable case.

It takes in these cases two to tango, if you will. The parties have to want to reach an agreement to get an agreement. The Board took, as you may remember, 13 months of mediation, intensive mediation, over 1 year of attempting to bring the parties together. There were 2,000 issues, most of which were resolved. There were two contracts instead of one contract that one of the parties wished to create. The complications were enormous. The parties began to have very hostile feelings toward each other, and we could not reach an agreement.

We usually do reach an agreement. In fact, our success record is 98.5 percent of our cases are resolved by settlement of the parties through mediation. In fact, we have had only about five strikes in the last 4 years. In a free society, of course, the parties must be able in the end to exert their economic muscle against each other and sometimes that is the only way to get an agreement. Unfortunately in this case, we still do not have an agreement.

So I would say the Board tried and tried very hard. Certainly in the mediation process and looking back at some of the things that might have been tried and were not tried, we are soberer now, but I am not sure that a strike could have been avoided in that case.

Senator **Harkin**. I understand the pilots are no longer striking. Negotiations are underway; is that right?

Mr. **Javits**. Yes; they are, Mr. Chairman. Negotiations in mediation have been going on since September 1989. The pilots and the flight attendants gave an unconditional offer to return to work on November 22, 1989, and approximately one-half the pilots who are working at Eastern today are what you might describe as strike pilots. The negotiations are going on, and I am optimistic that we will be able to get an agreement between the Pilots Association and Eastern; but that is no sure thing, either.

Senator **Harkin**. Mr. Javits, Mr. Wallace, Mr. Cleary, thank you very much for being here. I look forward to working with you.

Mr. **Javits**. Thank you very much, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator HARKIN. There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Board for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MERGERS/ACQUISITIONS

Question: Acquisitions, mergers, employee salaries, benefit packages, seniority rights, and union representation all continue to be volatile issues. Given your experiences with Eastern Airlines, have you developed procedures to avert a similar prolonged situation in the airline and rail industries?

Answer: Even with the benefit of hindsight and Monday quarterbacking, it is difficult to see the need for any basic changes in the Board's established and well-tested procedures. As mandated by Congress when it created the National Mediation Board, and explicit in the Railway Labor Act, the Board's policies and procedures have been carefully crafted to solve disputes in the airline and rail industries through a process of direct negotiations between the parties, then Board mediation if the parties cannot solve their problems themselves, and then voluntary binding arbitration if there is still no agreement. After all these steps and if the dispute threatens substantially to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation services, the Board has a statutory requirement to notify the President, who may, in his discretion, create an emergency board to investigate the dispute and report its findings. We emphasize, however, that both parties must want and be able to reach an agreement before one can be achieved. The Board cannot force a contract on the parties. The parties, in the end, are free under the Act to exercise their economic muscle if they are unable to reach an agreement on all of their differences.

The National Mediation Board has resolved literally thousands of disputes. Settlements are achieved in about 98 percent of the cases handled by the Board. There have been only four strikes in the past five years stemming from the cases mediated by the Board. The law contemplates the ultimate right of the parties to use self help if settlement is not attained. That is what, unfortunately, happened in the Eastern situation.

DEREGULATION

Question: The deregulation of the airline and railroad industries has created all kinds of problems, from lack of services to the actual failure of business. How has deregulation affected collective bargaining in the airline and railroad industries?

Answer: Deregulation has significantly affected collective bargaining in both industries, especially in the airline industry, where, for example, deregulation initially led to the startup of a number of new carriers whose costs of operations were substantially below the levels of older, established airlines. Lower costs allowed the new entrants to offer lower fares and virtually all established carriers, in an effort to limit erosion of their shares of the market and to remain competitive, sought to reduce their own costs. Since labor costs account for 30-40 percent of total operating costs of an airline, managements aggressively sought concessions from their employees in both wages and work rules. Employee groups just as aggressively resisted making concessions, which made — and continues to make — settlements of new contracts difficult. The new era of competition under deregulation has forced both labor and management to make major adjustments in their bargaining positions. It is for this reason that labor relations have increasingly destabilized in the industry and many agreements difficult to reach. However, less than a handful of mediated cases over the past five years have resulted in strikes.

In addition, deregulation of the airlines and partial deregulation of the railroads has had a significant impact in the representation case area of the Board's activities. The numerous mergers and acquisitions in both industries have presented complex issues unprecedented in the Board's history.

To assist parties in railroad cases, the Board in November 1989, issued procedures for handling employee representation issues resulting from railroad mergers, acquisitions or consolidation. They replaced previous interim procedures and their final form was aided by comments from railroad and union officials on an initial draft proposal. Earlier, in August 1987, the Board adopted specific procedures for handling representation issues stemming from mergers, acquisitions and consolidations in the airline industry.

NATIONAL HANDLING IN THE RAILROAD INDUSTRY

Question: What is the current status of national handling in the railroad industry?

Answer: At the present time all major carriers are participating in the national handling with the exception of Burlington Northern, Grand Trunk Western, Denver and Rio Grande Western, Amtrak and the Soo Line. The national handling case is in recess status for Board consideration. Meanwhile, however, we are working with the parties and are making progress in attempting to establish procedures for resolution of the case.

REGIONAL AIRLINES

Question: Do you see any special problems or issues relating to small regional airline carriers?

Answer: Regional carriers, generally defined as those with less than $100 million in annual revenues, have been the target of intense organizing efforts the past three years by some labor organizations, notably the Air Line Pilots Associations (ALPA).

Since 1987, the pilots of 19 regional airlines have been organized by ALPA, which is now their collective bargaining agent. In some cases, this has required Board-conducted representation elections. Managements of many of these smaller carriers also have had limited experience in the collective bargaining process and, while some have been able to successfully conclude first agreements in direct negotiations with their unions, it is anticipated that the Board will be asked to mediate most of the initial contracts and follow-on replacement contracts.

COMMUTER RAILROADS

Question: Are the commuter railroads generating a substantial amount of work for the Board?

Answer: Over 80 individual labor contracts are open for negotiations among commuter railroads during FY 1989 and FY 1990. Based on past experience, the Board anticipates that many of these disputes may continue well into FY 1991 before they are resolved.

The creation of new, independent railroads, either short-lines, or regional railroads through sale or lease of lines previously operated by the Class I carriers, also has greatly increased the number of operating carriers. Since passage of the Staggers Rail Act of 1980, which partially deregulated rail rates and services, approximately 220 new, small railroad companies have been formed.

REPRESENTATION ACTIVITY

Question: On what factors do you base projections for representation activity in the two industries?

Answer: As a result of our experience, we expect a high level of representation case activity in 1991, although reduced almost 20 percent from the extreme level in 1989. In FY 1989, we docketed 102 representation cases in the two industries. In FY 1990, 100 are estimated, and for FY 1991 we estimate the number will be approximately 80. The reduction is projected because we expect less new entrants and fewer mergers and acquisitions, compared to 1989 and 1990.

ADJUSTMENT OF RAILWAY GRIEVANCES

Question: Why should the Federal Government continue to pay for the adjustment of employee grievances in the railroad industry when it doesn't do so for any other industry, not even the airline industry, which is also covered by the Railway Labor Act?

Answer: The Mediation Board is directed to fix and pay the compensation of referees by Section 153 First (1) of the Railway Labor Act. Doing otherwise would entail amending the Act.

CHANGES IN RAILWAY GRIEVANCE PROCEDURES

Question: Several changes have been made in the grievance adjustment process, in part arising from the suggestions of a bipartisan committee created in the mid-1980's. Last year, the Board testified that it expected to realize a reduction in the number of cases pending as a result of implementing these suggestions. Have the changes instituted by the Board brought down the number of cases expected to be pending at the end of FY 1990?

Answer: Many suggestions of the bipartisan committee were adopted and instituted by the Board in its grievance procedures. These were: adoption of uniform operating rules on all divisions of the Adjustment Board; allocation of neutral work days based on pending caseload and productivity of the neutral; and neutrals having more than 50 cases heard and not decided were barred from hearing more cases. These suggestions have streamlined procedures and have brought down the number of cases pending. The reduction in caseload was realized by tracking individual cases when a uniform numbering system was implemented. As a result of information provided by the parties, the Board has been able to reduce the pending caseload by 6,377 cases. This reduction was accomplished without the necessity of expending Federal funds.

Question: Will these changes keep grievance adjustment costs in FY 1990 below their level in FY 1989 as the Board thought they would, and what are the savings associated with those changes?

Answer: The Board hopes to reduce costs and improve the decision process through a variety of measures, such as requesting the parties' cooperation in using arbitration procedures only for out-of-service cases and precedent setting rules cases. Based on improvements in grievance handling procedures, during FY 1990 and FY 1991 the Board anticipates $1,600,000 will be adequate versus the 1989 expenditures of $1,948,000.

REDUCING THE NUMBER OF RAILROAD GRIEVANCES

Question: In view of the fact that there is a declining workforce in the railroad industry, can anything be done to decrease the number of incoming railroad grievance cases under Section 153 of the Railway Labor Act?

Answer: The Board is attempting to lower the number of incoming cases by several methods, such as encourage the parties to agree to let one lead case dispose of all similar claims that arise on a particular carrier involving the same labor organization; and make sure the parties are truly deadlocked prior to bringing a claim to binding arbitration. It must be understood that the Board can only use its powers of persuasion in this matter due to the fact it has no statutory authority to limit the number of incoming cases.

Also a declining workforce may give rise to more labor grievances since mergers and consolidations can cause disagreements over entitlements to remaining jobs and certain job protection agreements.

PAST YEAR BUDGET INFORMATION

Question: In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

Answer:

a. Total Salaries and Expenses (in thousands):

FY	Amount Obligated
1985	$ 5,821
1986	5,640
1987	5,957
1988	6,398
1989	5,847
1990	5,832 (Estimate)

b. Amount of your appropriation that was unused and turned back to the Treasury (in thousands):

FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
537	445	547	606	625	552 (Estimate)

The majority of the unused appropriation is the unobligated balance of the contingency fund which is used only for arbitration boards, emergency boards and factfinding panels.

c. Equipment-Expenditures (in thousands):

FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
36	57	69	34	40	47 (Estimate)

d. Fourth Quarter Expenditures (all items over $3,000)

FY 1985 4th	FY 1986 4th	FY 1987 4th	FY 1988 4th	FY 1989 4th	FY 1990 4th
11	38	58	71	47	45 (Estimate)

RAILROAD RETIREMENT BOARD

STATEMENTS OF:

CHARLES J. CHAMBERLAIN, LABOR MEMBER
JOHN D. CRAWFORD, MANAGEMENT MEMBER

ACCOMPANIED BY:

PETER LARSON, CHIEF FINANCIAL OFFICER
KEN BOEHNE, CHIEF EXECUTIVE OFFICER
BARRY HEMPHILL, DIRECTOR OF DATA PROCESSING

INTRODUCTION OF ASSOCIATES

Senator HARKIN. Next is the Railroad Retirement Board. The Board administers the comprehensive retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families. This Board also administers the Medicare Program for railroad retirement. The Board manages nearly $8 billion in railroad trust fund assets, making it a very large and significant operation.

Testifying today are the labor and management members of the Board, Mr. Charles J. Chamberlain and Mr. John D. Crawford.

I notice that under the dual benefits provision that we appropriate, last year it was $340 million, and for this year it is $321 million.

Again, we would appreciate your summarizing your testimony for this.

Mr. Chamberlain, good to see you all again.

Mr. CHAMBERLAIN. Thank you, Mr. Chairman. We are certainly honored to have the opportunity to appear before you and your committee concerning the appropriation requests for the Railroad Retirement Board.

Currently we have a vacancy in the Office of Public Member of the Board. It has been vacant since November 1989. So Mr. Crawford and I have submitted a statement for the record which we would like to have included in total in the record.

I would like to introduce my associates at the table here with me. To my left is John Crawford, the management member. To his left is Ken Boehne, our Chief Executive Officer. To his left, Mr. Peter Larson, who is our Chief Financial Officer. To my right is Mr. Barry Hemphill, the Director of Data Processing.

STATEMENT OF CHARLES J. CHAMBERLAIN

As the labor member of the Board, Mr. Chairman, I would like to make a few personal observations regarding our agency's budget for fiscal year 1991. As you know, the expenses for administering our system are paid entirely by the employees and employers of the railroad industry. The express desires of the railroad community for efficient, effective administration of applicable laws have long been reflected by the Railroad Retirement Board in deciding the level and quality of service provided and the measures necessary to maintain the integrity of our benefit payment programs.

This is consistent with our understanding of past congressional concern that decisions as to the scope and cost of Government programs should be made by those who pay for and are served by those programs.

BUDGET REQUEST

On August 30, 1989, the Board members submitted the Board's fiscal year 1991 budget request to Congress for 1,642 full-time equivalent employees and $94.5 million, exclusive of the request of our Agency's inspector general. We strongly believe that this request represents a responsible, prudent package that provides much needed support for the further modernization of our claims processing systems and adequately addresses our ongoing data processing workloads.

TAX REPORTING AND ACCOUNTING SYSTEM

One of the major challenges we have faced and will continue to face during the next few years is improving the quality of our tax reporting and accounting operation. It is very evident that we have many problems with our tax accounting systems. The Board members together with our agency's chief executive officer and top agency staff have been concentrating much effort toward making significant improvements in this area.

PREPARED STATEMENT

To facilitate your understanding of this problem, we are submitting a complete summary of the implementation of withholding, accounting for and reporting on the taxation of benefits paid under the Railroad Retirement Act. I would like to have that statement, which I will submit, included in the record.

Senator HARKIN. Without objection.

[The statement follows:]

STATEMENT OF CHARLES J. CHAMBERLA

Mr. Chairman and Members of the Committee, we are pleased to be here today to present the Administration's budget proposals for the Railroad Retirement Board for fiscal year 1991. We would like to begin our statement with a brief description of the agency and the programs we administer.

Background on the Railroad Retirement Board

The Railroad Retirement Board is an independent agency in the executive branch of the Federal government. The Board is administered by three members appointed by the President, with the advice and consent of the Senate. One position, that of the Chairman, is currently vacant.

Our primary function is to administer retirement/survivor and unemployment/sickness insurance benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. We also have administrative responsibilities for certain social security benefit payments and railroad workers' Medicare coverage.

During fiscal year 1989, the Board paid $6.9 billion in retirement/survivor benefits and $89 million in unemployment/sickness insurance benefits. At the end of the fiscal year, there were about 903,500 beneficiaries receiving railroad retirement and survivor benefits. During the benefit year that ended in June 1989, about 35,000 railroad workers received unemployment insurance benefits and about 34,000 received sickness insurance benefits.

Financial Status of the Trust Funds

The equity balance of the retirement trust funds increased from $8.3 billion to $9.2 billion during fiscal year 1989. The system's long-term financing, as well as issues related to short-term and long-term solvency, are currently being studied by the Commission on Railroad Retirement Reform. The Commission, which was established by the Omnibus Budget Reconciliation Act of 1987, is scheduled to issue its report by October 1, 1990.

The equity balance of the Railroad Unemployment Insurance Account also improved during fiscal year 1989, but still showed a deficit -- $276 million -- at year end. The deficit balance results from high unemployment in the early 1980's which required the unemployment account to borrow funds from the Railroad Retirement Account. As of December 31, 1989, the loan and interest balance due the Railroad Retirement Account was $415.3 million. We project that the loan will be repaid by 1994.

Use of Additional Staff Resources

Last year, the Congress provided an increase in the Board's full-time equivalent (FTE) staff ceiling from 1,600 in fiscal year 1989 to 1,625 for fiscal year 1990. The additional FTE's were provided to help the agency implement recently enacted legislation and to proceed with the agency's new automation approach. In keeping with these objectives, we have allocated 15 FTE's to work on new automation projects, including making improvements to our retirement tax accounting system. We also assigned 10 FTE's to administer the most significant aspect of the new legislation, the experience rating provisions for our railroad unemployment insurance program. We would like to take this opportunity to describe our efforts in these areas.

Status of Automation Efforts

In January 1988, the Board adopted a multifaceted, incremental approach to gradually automate retirement claims processing. In 1988 and 1989, several automation initiatives were implemented. For example, we completed projects involving on-line computer entry of retirement and Medicare claims by our field offices and a change to allow us to accept and pay most initial retirement claims without the delays involved in obtaining current year service and compensation information. Combined, these initiatives have significantly reduced the average processing time for initial annuities. For example, we made initial (partial) payments within 30 days to 51.6 percent of our age and service applicants in fiscal year 1988, and to 66.5 percent of this group in fiscal year 1989. In addition, a new system which generates automated rate verification letters was completed. As a result of other initiatives, the preparation of retirement and survivor award notices has been automated; our field personnel can now input more information directly into our computer, such as information on deaths and returned checks; and service and earnings records for approximately 12 million current and former railroad employees are accessible on-line.

Other automation projects were also initiated during fiscal year 1989, but work on them was suspended in May 1989 to provide staff resources to address changes needed in our retirement tax accounting system identified in internal quality assurance studies. This shift in resources resulted in improvements in the production and release of the January 1990 tax statements. To improve service, we also added an informational message to the IRS's toll-free number, improved the print quality of tax statements, and released special letters to those annuitants whose tax statements will be delayed because they require manual processing.

In December 1989, we updated our retirement claims automation plan. The new plan calls for proceeding in three areas simultaneously: (1) short and long-term improvements to the retirement tax accounting system, (2) completion of new automation initiatives, and (3) completion of some much-needed work to maintain our initial retirement payment system. We are moving forward with this plan which is described in more detail on pages 73 to 77 of our budget justification.

Implementation of Recent Legislation

Significant changes in the programs we administer have resulted from the enactment in November 1988 of the Railroad Unemployment Insurance and Retirement Improvement Act of 1988.

For our unemployment and sickness insurance program, the legislation extended the tax to repay the loans from the Railroad Retirement Account to the unemployment account; increased the maximum daily benefit rate; established a 2-week waiting period for benefits; provided for experience rating for employer contributions; and indexed the tax base, qualifying earnings requirements and future benefit levels to national wage levels. In addition, as a result of this legislation, employers are now notified before unemployment/sickness insurance claims are paid to give them an opportunity to submit information relevant to the benefit payment determinations. The first major phase of the experience rating system (which will be a new ongoing activity) became operational in January 1990. When completed, we will have expended approximately 26 staff years implementing these unemployment and sickness insurance changes.

This legislation also included amendments to the Railroad Retirement Act and Social Security Act that affected the railroad retirement program. The railroad retirement amendments concern restrictions on employment and earnings by retirees, crediting of military service, and treatment of separation or severance pay for retirement purposes. The social security amendments affecting the railroad retirement program involve offsets for government pensions, deductions for post-retirement earnings, and denial of benefits due to deportation. We will complete the implementation of these amendments within the next few months. We estimate that, when completed, we will have expended approximately 28 staff years in making the necessary changes to the railroad retirement program.

Accomplishments Last Year

During fiscal year 1989, we realized a number of additional improvements in our program and financial management operations.

Backlogs and Changes in Workloads

In fiscal year 1989, we reduced workloads in our previously-identified backlogged work categories by 29 percent, from approximately 274,000 cases to 195,000 cases. These backlogs are primarily in the retirement program and involve cases that require review or adjustment. Our goal is to reduce our on hand balances in these work categories to 160,000 cases in fiscal year 1990, and 126,000 cases by the end of fiscal year 1991.

Program Integrity Activities

Fiscal year 1989 program integrity activities included earnings monitoring, payroll matches with railroads and States, contacts with States to identify duplicate unemployment payments, and other types of monitoring and matching checks related to disability, age and death. Some results of our program integrity activities are as follows.

-- In fiscal year 1989, matches with the Social Security Administration and the Health Care Financing Administration death records identified 486 overpayments due to unreported deaths. Approximately $303,000 has been recovered, and recovery of an additional $793,781 is in progress.

-- Payroll matches with several major railroads identified $457,683 in railroad unemployment and sickness insurance benefits to be recovered.

-- Wage matches with several States identified 793 unemployment/sickness insurance beneficiaries who were improperly paid $370,850.

-- Questionnaires mailed to 1,608 annuitants that may have earnings more than exempt amounts helped identify 976 annuitants with excess earnings.

We have continued to cooperate with our Office of Inspector General by referring suspect cases for investigation and providing information and assistance as requested. In fiscal year 1989, more than 240 cases have been referred to the Inspector General for investigation.

Financial Management Program

During 1989, we achieved overall compliance with the Prompt Payment and Debt Collection Acts by enhancing our existing financial management software and successfully implementing a new accounts receivable system to track and collect benefit overpayments.

The new accounts receivable system improved the accessibility, quality and timeliness of information on our receivables. The system automates many functions previously performed manually, such as accounts receivable tracking and billing, and permits the application of interest and penalties. The system has improved the efficiency of the Board's accounts receivable activities, provided better management control over receivable processes, and ensured compliance with applicable laws and regulations.

Internal Controls

During 1989, Board management took a very critical look at the overall internal controls of the agency under the guidelines of the Federal Managers' Financial Integrity Act (FMFIA). This intensive review resulted in the identification of 12 new material weaknesses and the establishment of corrective action plans for each. In addition, eight other action plans have been carried forward to address previously identified material weaknesses. Since the FMFIA was enacted in 1982, the Board has identified 65 material weaknesses and has corrected 45 of them.

1991 Appropriations Requests

For fiscal year 1991, $88,657,000 and 1,642 FTE's are requested in the Administration's budget to administer the railroad retirement and unemployment insurance programs. This is $11,524,800 more than the amount available for fiscal year 1990, and is split $72,200,000 and $16,457,000 between the administration of the railroad retirement and unemployment insurance programs, respectively. The proposed level of 1,642 FTE's is 17 more than the fiscal year 1990 level of 1,625 FTE's. This increase in FTE's is needed to carry on the efforts expressly provided for during the fiscal year 1990 appropriation process -- (1) implement recently enacted legislation requiring, among other things, a new experience rating system for our unemployment and sickness insurance program, and (2) proceed with our automation plans. In addition, staff are needed to improve and operate our retirement tax accounting system, administer the new experience rating system and reduce our work backlogs.

The primary reason for the increase of $11,524,800 in the appropriation amount over fiscal year 1990 is a one-time request of $9,800,000 to acquire a new mainframe computer. Our current processor, an IBM 3081KX, which was installed in November 1985, normally utilizes an average of 82 percent of its processing capacity. Data processing guidance generally places the peak utilization range between 75 and 85 percent. During our peak workload periods, our current processor is utilized at 100 percent of its capacity. Our data processing staff has performed a computer sizing study to determine what level of computer processing capacity is required to meet our needs. In addition, they conducted a cost-benefit analysis to determine the most cost-effective configuration. Based on their analysis, they recommended purchasing an IBM 3090-400S, or equivalent. Factors considered in the sizing study included support for our current automated systems, the new experience rating system that is being phased into operation during 1990, the retirement automation initiatives described on pages 73-77 of our Budget Justification, and other longer-term automation projects that will be developed during the next 5 years.

To verify the results of their analysis and to ensure that the computer purchased will meet our needs, on November 15, 1989, we contracted with the Federal Systems Integration and Management Center (FEDSIM) to review the methodology and assumptions used in the sizing study. FEDSIM is an independent evaluation group within the General Services Administration that specializes in providing technical consulting services to other Federal agencies. We expect to receive FEDSIM's final report by April 1990 and will provide copies to this Committee.

Appropriations language in both limitations provides for funding for the new mainframe, contingent on (1) the completion of a system capacity study, (2) a requirements analysis for use by the General Services Administration ($200,000 has been earmarked to assist the Board in completing the system capacity study and the requirements analysis), and (3) certification by our Inspector General that we have completed the first two requirements. Appropriations language also provides that an additional $250,000 be made available to make improvements in our railroad retirement tax accounting system.

Included in our requests for administrative expenses is $857,000 to cover 50 percent of the projected pay increase in January 1991. It is assumed that the remaining 50 percent of this increase will be absorbed in our budget.

The Inspector General has prepared a separate justification requesting $7,698,000 and 119 FTE's for audit and investigative activities. This is separate from the funds requested to directly administer our programs.

Dual Benefits Payments Account

The Administration's budget requests an appropriation of $321,000,000 for vested dual benefit payments in fiscal year 1991. This is $19 million less than this year's appropriation. This request will fund individual benefits based on our best estimate of such costs. The proposed appropriation language provides that an additional reserve amount not to exceed 2 percent or $6,420,000 be made available only if the number of beneficiaries exceeds the number anticipated in the budget estimates. The proposed appropriation language also provides that 25 percent of the total amount provided for these benefits be transferred from the Railroad Retirement Account. An estimated $18,000,000 of the amount appropriated would be derived from income taxes on vested dual benefits, as provided by current law. The balance of the appropriation would be funded from general revenues.

Federal Payments to the Railroad Retirement Accounts

The Railroad Retirement Solvency Act of 1983 amended the Railroad Retirement Act to provide for monthly transfers to the railroad retirement accounts from the Department of the Treasury of principal and interest amounts for benefit checks that were not negotiated. Such amounts were to be provided in advance in appropriation acts. Beginning in fiscal year 1991, the Competitive Equality Banking Act of 1987 authorizes that the principal amount of uncashed railroad retirement checks be funded by amounts appropriated to the Department of the Treasury. We therefore seek $100,000 in fiscal year 1991 for the Federal Payments to the Railroad Retirement Accounts only for the interest related to the unnegotiated checks. The amount would remain available through fiscal year 1992.

Legislative Proposals

Within the fiscal year 1991 budget, the Administration proposes legislation to

-- extend full Social Security coverage to all rail retirees, cover new rail employees under an Employee Retirement Income Security Act-based pension system administered by the rail sector, and establish a separate pension system for current retirees that relies on rail sector support;

-- alter the cost-of-living adjustment formula for rail industry pensions;

-- freeze cost-of-living adjustments on rail pensions for 1 year;

-- decrease the general fund appropriation for vested dual benefits by 25 percent, and instead use rail industry pension funds to finance the difference;

-- limit the number of railroad retirement benefits available to married couples, who both worked for railroads, to two benefit payments per couple; and

-- extend and expand the railroad unemployment insurance reimbursable status for publicly owned commuter railroads whereby they reimburse the railroad unemployment insurance account for the actual unemployment/sickness insurance costs of their employees (the provision would be extended through 1992 and be expanded to apply to Amtrak beginning in 1991).

BIOGRAPHY OF CHARLES J. CHAMBERLAIN

Charles J. Chamberlain was appointed to the Board upon the recommendations of railway labor organizations in October 1977, reappointed for a 5-year term beginning August 1979, and reappointed again for a subsequent 5-year term beginning August 1984. On February 1, 1990, the President announced his intention to nominate Mr. Chamberlain for another 5-year term from August 29, 1989. He previously served as President of the Brotherhood of Railroad Signalmen, and Chairman of the Railway Labor Executives' Association, a coordinating and policymaking body on legislative and other matters affecting railroad workers. Mr. Chamberlain began his railroad career as a signalman for the Chicago and North Western Railroad in 1938. Later, he became active in the railroad labor movement and held numerous union offices before becoming President of the Brotherhood of Railroad Signalmen in 1967.

BIOGRAPHY OF JOHN D. CRAWFORD

John D. Crawford was appointed to the Board upon the recommendations of the Association of American Railroads and the National Railway Labor Conference in June 1985. He completed his first term as Management Member in August 1988, and was nominated by President Reagan to fill another 5-year term ending in 1993. An attorney, Mr. Crawford had been associated with the Chicago and North Western Transportation Company for almost 30 years, having served as C&NW Assistant Vice-President for Labor Relations, and Director of Labor Relations. He also served as Carrier Member of the Third Division of the National Railroad Adjustment Board. Mr. Crawford is an alumnus of Loyola University, B.A. 1948, and Georgetown University Law School, L.L.B. 1951. He is a retired Captain in the U.S. Naval Reserve.

A summary of the implemenation of withholding, accounting for, and reporting on the taxation of benefits paid under the RRA by the Railroad Retirement Board

One of the key activities facing the Railroad Retirement Board in the next few years is improving the quality of its tax statements. Prior to 1984, railroad retirement benefits, with the exception of supplemental annuities, were not subject to Federal income tax. However, as a result of the Railroad Retirement Solvency Act of 1983, all railroad retirement annuities became taxable beginning with tax year 1984. Under the 1983 legislation, the tier 1 portion of a retirement annuity was to be taxed like a social security benefit, and the tier 2 was to be taxed as a contributory pension payment. The vested dual benefit was to be taxed as a noncontributory pension payment, as was the supplemental annuity. The RRB was in a unique position because its benefits had to be reported under three different provisions of the Internal Revenue Code using different reporting forms.

In order to implement this legislation, the agency needed to develop a new system to account for all railroad retirement benefit payments by tier component and transaction date. The system needed sufficient information to allow the RRB to fulfill its legal requirements under the Internal Revenue Code. Although a system was in place in time to release tax statements in

January 1985, as required by law, the system was not fully developed. Subsequent modifications corrected some of the problems, but several areas that directly impact on the quality of the tax information the agency collects and reports on are still incomplete. For example, the tax system does not collect information on one-payment-only awards such as accrued annuity payments and work deduction adjustments. Also, the system does not have a fully functional correction program to allow changes to be made to specific beneficiary records. There is only a very limited audit facility to compare information in the tax system with other files, and there is no comprehensive internal control program.

Two pieces of legislation required extensive revisions to the agency's artially developed tax system during 1986. First, the Consolidated Budget Reconciliation Act of 1985 provided that only that portion of a tier 1 that was equivalent to a social security benefit was to be taxed like a social security benefit. The tier 1 amount in excess of the social security benefit would now be taxed as a tier 2 benefit, that is, like a contributory pension payment. In some cases, information needed to calculate the social security equivalent benefit was not available in the RRB's records and various assumptions and estimates were made causing inaccuracies in some statements. Statements released in January 1987 reflected the tier 1 tax change, but once again much work remained to be done to have a fully functional, accurate tax accounting system. That work is still not completed. For example, the tax system does not retroactively adjust the allocation of tier 1 benefits between the social security equivalent benefit amount and the non-social security equivalent benefit amount, nor does it properly allocate accruals and repayments.

The second legislative change, the Tax Reform Act of 1986, eliminated the 3-year-rule, a tax method used to determine the amount of taxable contributory pension payments. The RRB had been using the 3-year rule tax method exclusively for railroad retirement benefit taxability. This change required that the agency begin using the general rule method for annuities with beginning dates after July 1, 1986. Under the general rule, railroad retirement benefits exceeding social security equivalent levels are taxable immediately upon retirement. The RRB did not apply general rule provisions for tax year 1986. For 1987 and 1988, general rule provisions were reflected on tax statements, but regular and recurring general rule operations were not implemented until 1989. There are still some problems with the way the general rule provision was implemented. For example, certain repayment information is not properly allocated.

Amendments to the Railroad Retirement Act in 1988 also had an impact on the tax accounting system. Changes to other RRB claims systems to implement these amendments necessitated substantive revisions to the tax accounting system. Most of these revisions were completed during 1989.

Because of indications of problems with the tax accounting system, the chief executive officer asked the director of quality assurance to evaluate this system in mid-1988. The director of quality assurance issued three reports, the first in November 1988, and the second and third in May 1989. The reports showed that there were significant problems with the tax accounting system, and that a significant number of the retirement tax statements being released were inaccurate.

As a result of these findings, work was suspended on other agency automation projects in May 1989, and additional resources were provided to make changes and corrections to the tax system. The shift of resources to taxation system work in mid-1989 resulted in

-- a more orderly (less crisis-oriented) approach to the production of tax statements released in January 1990 than occurred in previous years;

-- a reduction in the number of errors in tax programs that caused inaccurate tax withholding/accounting; and

-- updated address information for over 10,000 cases that would have had undeliverable tax statements.

To improve the service to our beneficiaries, we also

-- increased from 3,500 to 10,000 the number of cases identified as requiring manual review prior to release of tax statements in January 1990, thereby reducing the number of inaccurate statements released;

-- sent letters of explanation to those annuitants whose tax statements were delayed because their cases must be manually reviewed;

-- developed and made accessible through the IRS's toll-free number, a 5-minute informational message;

-- improved the print quality for the tax statements; and

-- provided more information, on a more timely basis, to our field service employees for use in responding to annuitants' inquiries.

In addition, the RRB hired an outside contractor to work with agency staff to

-- develop an on-line data correction facility for the taxation database to handle selected types of corrections;

-- develop a data analysis program to detect incomplete or invalid data;

-- improve the performance of the tax database; and

-- analyze current tax testing processing and develop a new testing facility (after the functional requirements are defined and accepted by the RRB).

The contractor has completed initial work on the first three tasks and is working on the fourth. Further enhancements to these tasks will be undertaken during 1990.

In October 1989, a group was convened to revise the agency's retirement claims automation plan to incorporate needed taxation system improvements and to prioritize these initiatives with other retirement claims automation projects. The updated plan, which was issued on December 29, 1989, provides for the development of a long-range plan to redesign the tax system to focus solely on tax accounting, withholding and reporting operations. It is estimated that this redesign could take several years. Other systems that provide data to the tax system will also be revised so that accurate information is furnished. In the interim, a number of short-term initiatives have been identified to improve the accuracy of the current system.

Initiatives designated as having the highest priority are

-- provide an on-line facility to correct erroneous claims transactions and reprocess them as a means of preventing inaccurate data from entering the payment and tax accounting systems;

-- complete development of tax correction forms and programs to allow for the manual adjustment of tax data;

-- change the programs which create tax statement data to run on a quarterly rather than an annual basis, thereby identifying potential problems earlier in the year and providing more time for needed corrections;

-- automate the production of corrected tax statements based on new or revised data;

- -- make retroactive corrections in the allocation of tier 1 benefits between the social security equivalent benefit amount (which is taxed as a social security benefit) and any remaining non-social security equivalent amount (taxed as a contributory pension payment), and issue corrected statements, as necessary; and

- -- develop more structured testing methods that will allow us to test tax system corrections and enhancements more quickly.

The RRB is very concerned about its tax statements. We want to provide curate, timely statements to every one of our beneficiaries, but there is no immediate answer to the problems that have developed over the years with the retirement tax accounting system. We expect, however, that this approach will provide near-term improvement and an eventual solution.

QUALITY OF TAX STATEMENTS

Mr. CHAMBERLAIN. The Board is very concerned about the quality of our tax statements to our beneficiaries. We want to provide complete, accurate, timely statements to every one of our beneficiaries, but there are no easy or immediate answers to solving problems that have developed over the years.

Your continued support of our agency's request level would not only assist with the major redevelopment of the retirement taxation system and the processing of taxation work, but will also provide staff and funding to support our unemployment and sickness insurance programs as we undertake the implementation of experience rating, improve our debt collection practices and the handling of accounts receivable and initiate ongoing quality assurance reviews in all areas of our operation.

We would also like to take this opportunity to commend the Board's inspector general and his staff for their continuing efforts in auditing railroad retirement tax collection and reporting as well as working with Treasury and the IRS to ensure proper accounting and handling of our agency's trust fund accounts.

Once again, I want to thank you personally for your past support for the reasonable levels of funding and staffing, and we certainly look forward to working with you during the coming year.

At this time I would like to introduce Mr. John Crawford, the management member, who will make a few remarks for the committee.

STATEMENT OF JOHN D. CRAWFORD

Mr. CRAWFORD. Senator Harkin, the joint statement of the labor member and management member of the Railroad Retirement Board sets forth the highlights of the budget proposed for fiscal year 1991.

As management member of the Board, I would like to add just a few brief comments about the budget and about the Board's plans for fiscal year 1991.

First of all, this is essentially a hold-the-line budget. In fiscal year 1990 the Senate-House conferees approved a budget of $78 million for the Board before sequestration. While this committee approved a budget of $82,415,000 for fiscal year 1990, the administration is requesting $88,657,000 in our fiscal year 1991 budget. However, $9.8 million of that is proposed for the one-time acquisition and installation of a new mainframe computer and an additional $200,000 for a system capacity study and requirements analysis that details the Board's future computer capacity generation.

The budget calls for 17 additional full-time employees. These employees would work on the redesign of our retirement tax accounting system, continued automation of retirement claims processing, ongoing experience rating workloads, and ongoing debt collection and program integrity efforts.

A year ago this subcommittee asked many questions about the Board's efforts to root out waste, fraud, and abuse in the Board's retirement program and in its unemployment and sickness insurance programs. The Board has for many years devoted considerable time and effort to this task, and in fiscal year 1991 the Board proposes to use about 137 full-time employees on its program integrity efforts, including quality assurance and quality control.

Primary examples of these activities which are in addition to the efforts of the inspector general include monitoring of earnings, disability benefits and age beneficiaries, health care financing administration, death records matching, payroll matches and unemployment payment matches with railroads and States, parental custody monitoring, student monitoring, and the monitoring of representative payee use of funds.

With regard to waste, fraud, and abuse in the Board's Sickness and Unemployment Insurance Program, the U.S. General Accounting Office recently completed the study mandated by section 7107 of the Railroad Unemployment Insurance and Retirement Improvement Act of 1988, Public Law 100-647. The GAO's study and recommendations will be helpful in reducing the frequency of fraud and payment errors in the Board's unemployment and sickness insurance programs.

It is my understanding that the draft report and the Board's comments are being reviewed in Washington, and the final report should be issued shortly.

Mr. Chairman, this is all I have to add to the labor and management members' joint statement. I will be happy to answer any questions you may have.

Thank you.

Senator HARKIN. Mr. Crawford and Mr. Chamberlain, welcome back again. It is good to see you both again. I have a number of questions that I will submit for the record.

ACQUISITION OF A NEW MAINFRAME COMPUTER

I just wanted to go over one area, the one you just touched on, the purchase of your new mainframe computer. That is a $9.8 million increase for the purchase of the mainframe. I understand that funding would be contingent on completion of a capacity study and analysis by the General Services Administration and certification by the inspector general that these first two requirements have been met and fulfilled.

What makes you believe that they will be finished with that by this year? They are going to have to analyze this. The inspector general is going to have to certify this. When is the timing of the capacity study? Who is doing the capacity study?

Mr. CRAWFORD. Mr. Barry Hemphill, our Director of Data Processing, is here. I think perhaps he can inform you about the timing of these events.

Mr. HEMPHILL. Senator, the capacity study has been completed by RRB staff.

Senator HARKIN. By whose staff?

Mr. HEMPHILL. The Railroad Retirement Board's staff. The capacity planning for the new computer system was completed by internal RRB staff. Staff members from the Federal Systems Integration and Management Center [FEDSIM] have visited us twice. They have a report due to us by April of this year that will basically, we feel, validate our own capacity planning requirements projections.

Senator HARKIN. Then GSA is going to come in and look and see whether or not it really is necessary; right?

Mr. HEMPHILL. FEDSIM is part of GSA.

LEASE VERSUS PURCHASE OF A NEW COMPUTER

Senator HARKIN. In looking to see whether or not this is the best use of money, what about just leasing mainframe time from somebody else rather than going out and spending $10 million for it?

Mr. CHAMBERLAIN. Mr. Chairman, this matter has been the subject of extensive discussion at the Board level along with all of our associates. One thing you have to keep in mind is we have to have a new computer. There is no question about that. Mr. Hemphill was telling me as late as Friday we were operating at 95 percent of capacity. I am not a computer expert, but I know when you get to that saturation point you are asking for trouble. We have been experiencing trouble periodically in the last year.

The question of whether we purchase it outright or we lease it for a 2- or 3-year period is certainly debatable. The outright cost of a purchase is $9.8 million. Our estimates for an annual cost over a 3-year lease period would be $3.84 million per year, or a total of $11.52 million. So over the long haul I guess it would cost more dollars, but we could go either way. All we know is that we have to go.

CAPACITY SATURATION OF EXISTING COMPUTER

I would like just for the record to have Mr. Hemphill explain to you the situation which we are encountering frequently with respect to getting near capacity and saturation of our present computer facilities.

Senator **Harkin**. We will do that in writing. I will submit those questions in writing.

As I understand it, the Board just bought a mainframe about 5 years ago which was supposed to have been a one-time purchase.

Mr. **Crawford**. It was $2.5 million, Senator, and I was rather impressed by the cost at that time. Now I am told it has been running practically full time for 5 years. With the new experience rating systems and our new automation initiatives, we just need more capacity. Apparently we need this $9.5 million IBM 3090-400S or the equivalent.

ACQUISITION OF NEW COMPUTER COMPETITIVELY

Senator **Harkin**. When you give this $9.8 million figure, has that been competitively bid?

Mr. **Boehne**. We have not yet gone out, Mr. Chairman, for competition, but we will. When we do procure the computer, it will be through a competitive process. So, we are not just looking at an IBM. We are looking for something that is an IBM or IBM compatible.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Harkin**. We have some questions for the record we will submit on redesign costs and sole source contracting. We will submit those and get them in writing, and we will work that out.

That is all I have. Thank you both very much.

Thank you all for being here.

[The following questions were not asked at the hearing, but were submitted to the Board for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PAYMENT SAFEGUARDS

Question. Last year, we discussed at some length the need for better audits and controls over benefits paid by the Board. What steps have been initiated to put into place payment safeguards?

Answer. The Railroad Retirement Board (RRB) has three major types of payment safeguards in place for the benefit programs. These include quality control, quality assurance, and program integrity initiatives. We estimate that in fiscal year 1989, the agency used approximately 113 FTE's in these areas. In fiscal year 1991, we expect to use about 137 FTE's.

The RRB's quality control activities include ongoing processes to review and authorize award actions, review mass adjustments, monitor data processing systems and control financial transactions. Quality assurance activities include sampling completed work, maintaining statistics on performance and evaluating the overall effectiveness of our processing operations.

Program integrity activities include projects to detect fraud and abuse in the benefit programs and to ensure that benefits are paid only in the correct amounts to entitled beneficiaries. Generally, these projects identify new information or verify existing information concerning individuals' eligibility for and entitlement to benefits.

During 1989, responsibility for coordinating program integrity reporting activities for the agency was assigned to the chief financial officer. We have initiated quarterly reporting on the progress of program integrity efforts, and we are redesigning our systems to measure performance in this area.

Key program integrity initiatives currently in place for the retirement program include the following:

- wage matching programs with the Social Security Administration (SSA) to determine whether beneficiaries' earnings are in excess of the exempt amount;

- representative payee monitoring to ensure that payments are handled in the best interests of the beneficiary;

- undeliverable mail and uncashed check investigations to identify unreported deaths and persons needing representative payees;

- matching programs with SSA and the Health Care Financing Administration (HCFA) to identify unreported deaths;

- aged monitoring procedures to maintain contacts with annuitants over 90 years old;
- continuing disability determinations to ensure that disability benefits are paid only to entitled persons; and
- annual earnings monitoring programs to adjust benefits for retirees who continue working.

In the unemployment and sickness insurance program, key program integrity initiatives include:

- railroad payroll matching programs to identify persons who claim benefits and also worked or received remuneration for the same days;
- wage matching programs with the States to identify persons who claim benefits while working for a non-railroad employer; and
- annual wage record audits to compare benefit files with employers' compensation reports.

Our quality control, quality assurance and program integrity efforts helped us during 1989 to safeguard the trust funds against waste, fraud and abuse. Following are some key results achieved during the year.

- Through monitoring our financial systems, we identified an error by the Department of the Treasury and recovered over $152 million of misclassified tax receipts.
- Matches with SSA and HCFA death records identified 486 overpayments due to unreported deaths. Approximately $303,000 has been recovered, and recovery of an additional $793,781 is in progress.
- Payroll matches with the railroads identified $457,683 in railroad unemployment and sickness insurance benefits to be recovered.
- Wage matches with the States identified 793 unemployment/sickness insurance beneficiaries who were improperly paid $370,850.
- Questionnaires mailed to 1,608 annuitants who may have earnings more than exempt amounts helped identify 976 annuitants with excess earnings.
- We continued to cooperate with our Office of Inspector General by referring suspect cases for investigation and providing information and assistance as requested. In fiscal

year 1989, more than 240 cases were referred to the Inspector General for investigation.

During 1989, we also initiated a new system to support prepayment verification of unemployment and sickness insurance claims as required under the Railroad Unemployment Insurance and Retirement Improvement Act of 1988 (P.L. 100-647). Before paying or denying each claim, the RRB now notifies the claimant's railroad employer and gives the employer the opportunity to provide additional information concerning the claim.

In addition, our data processing staff has begun to modify our sickness insurance systems to accept physicians' tax identification numbers on medical information used to support benefit claims. This change, which was recommended by the U.S. General Accounting Office, will help us to verify that medical documents have been signed by qualified physicians.

Question. How much did the Board identify in overpayments last year?

Answer. In fiscal year 1989, the Board established benefit payment accounts receivable totaling $81.4 million, which included $40.6 million in the retirement/survivor benefit program and $40.8 million in the unemployment/sickness insurance benefit program. Many of the accounts receivable are related to benefit adjustments required because of events occurring after benefit payments are made, such as injury settlements, entitlement to other benefits, unreported deaths, and earnings.

In fiscal year 1989, the Board recovered $69.5 million in benefit payment accounts receivable. The amount recovered includes overpayments identified in fiscal year 1989 and prior years.

PURCHASE OF NEW COMPUTER

Question. The fiscal year 1991 budget requests an increase of $9.8 million for the purchase of a mainframe computer. As requested in the Administration's budget submission, this funding would be contingent on completion of a capacity study, an analysis by the General Services Administration and certification by the Inspector General that the first two requirements have been met. You indicate that this is a one-time purchase, yet, the Board just bought a mainframe about 5 years ago that was also a one-time purchase. Why do you need a new mainframe now?

Answer. Following the development of the Railroad Retirement Board's 5-year automation plan (covering fiscal years 1990 through 1994), we conducted a computer sizing study to determine the size of a mainframe that would be required to support the initiatives outlined in the plan. The study indicated that we need a processor five times as powerful as we currently have. Our current computer will reach its saturation point in fiscal year 1991 and is currently saturated during peak periods.

Other key reasons why we vitally need a new computer in 1991 are as follows:

- Additional processing power will be needed to keep terminal response times acceptably short as communications traffic loads increase. The response time affects current processing activities as well as development and testing for new systems.
- Retirement and unemployment/sickness insurance systems will require more computer power as more processing functions are put on-line.
- The proposed new mainframe will allow for installation of a newer, more powerful operating system. This will provide enhanced future capabilities to the system by allowing better utilization of the central processing unit.

Question. Has the Board done any long-range planning projecting needs over the next ten years for data processing equipment?

Answer. We do develop automation plans for 5-year periods and, as previously explained, have determined that a new computer is needed. However, the RRB does not develop long-range data processing plans for 10 years and beyond because our data processing staff believes it is too difficult to predict legislative, technological and other changes affecting our computer software and equipment needs that far into the future.

Question. What assurances do we have that you will not be back here in another 4 or 5 years saying that you need another $9 or $10 million for a one-time purchase of a new mainframe?

Answer. Based on all available information, the requested new mainframe computer should provide sufficient capacity to meet our current and known future demands for the next 5 years. Each year we will update our 5-year automation plan. As part of this update, we will ask our data processing personnel to estimate our computer system capacity needs over that planning period. This process will therefore give us an opportunity to consider various options for managing and providing for our changing computer system capacity needs - rather than just buying another larger computer.

LEASE OF NEW COMPUTER

Question. Would it not be more economical to lease equipment, with the responsibility for maintenance left to the vendor in the lease arrangement?

Answer. Based on the preliminary pricing information we obtained, we do not believe it would be more economical to rent or lease equipment.

The cost to purchase the computer we need is about $9.5 million, plus $300,000 for installation and $200,000 a year for maintenance after the first year. The one rental quotation we have obtained thus far is a monthly rental charge of 10 percent of the full purchase price of $9.5 million. We would also have to spend $300,000 to install a rented computer.

Another procurement alternative would be a lease-to-purchase arrangement. We estimate it would cost $3.84 million annually for a 3-year lease-to-purchase arrangement, or a total of $11.52 million, and about $2.59 million annually for a 5-year lease-to-purchase arrangement, or a total of $12.97 million. The present value of 3-year and 5-year lease-to-purchase agreements, using a 10 percent discount rate, would be about $10.06 million and $10.36 million, respectively, in comparison to the purchase price of $9.5 million. As with a purchase, we would have to spend approximately $300,000 to install the computer and $200,000 annually for maintenance after the first year. Although a lease-to-purchase arrangement is somewhat more costly than a purchase, we are open to procuring the mainframe on a lease-to-purchase basis if necessary.

VESTED DUAL BENEFITS

Question. About 245,000 annuitants were receiving vested dual benefits at the end of fiscal year 1989. Is the funding requested in the fiscal year 1991 budget sufficient to ensure full payment of these benefits in fiscal year 1991?

Answer. The Administration proposes a $321 million base amount for vested dual benefits in fiscal year 1991, plus a $6.42 million reserve to be used only if the number of beneficiaries is greater than the number expected (225,400). Our chief actuary believes that $328 million is needed to fully fund vested dual benefits in fiscal year 1991. This includes a small margin to allow for uncertainties associated with estimates and projections.

FUNDING OF VESTED DUAL BENEFITS

Question. The Administration, in its fiscal year 1991 budget request, proposes to fund about 25 percent of the vested dual benefits--or up to $82 million--from the Railroad Retirement Account. About $228 million would be funded from general revenues. What is the Board's position on this proposed funding?

Answer. A change as is contemplated by this proposal would be contrary to the understanding which was created in 1974. It represents an attempt to shift a portion of the costs of vested dual benefits (which are gradually being phased out) from the Federal government to the railroad industry. When the Railroad Retirement Act of 1974 was passed, it was agreed that (1) it would be inequitable to terminate vested dual benefits, and that (2) the costs of dual benefits, which resulted from Congressional action in 1951, should be funded from general revenues rather than from social security or railroad retirement trust funds. It was also agreed that the rail sector would fully fund other benefits payable under the Railroad Retirement Act to the extent they exceeded benefit levels that would have been payable under the Social Security Act. That agreement by the rail sector was premised on an understanding that there would be no change in the obligation of the Railroad Retirement Account from that existing under the previous 1937 Act.

SUPPLEMENTAL ANNUITIES

Question. About 197,600 beneficiaries were receiving supplemental annuities as of September 30, 1989. Inasmuch as one of the requirements of the supplemental annuity is that an employee have some railroad service before October 1981, when do you project that these payments will be phased out?

Answer. The last supplemental annuity check will probably be paid sometime after 2050.

DISABILITY BENEFITS

Question. What types of disability benefits are available to railroad workers, and how many are currently receiving some type of disability benefit?

Answer. A railroad worker can qualify for benefits based on either total and permanent disability, or disability in his or her regular railroad occupation. At least 10 years of railroad service are required for an annuity based on total disability. For an occupational disability annuity, 20 years of railroad service are required, or 10 years if the employee is age 60 to 64. Also, the requirements for an occupational disability annuity generally limit that benefit to employees who worked in the railroad industry just prior to becoming disabled.

At the end of fiscal year 1989, there were 35,126 retired railroad workers under age 65 receiving disability annuities. About half of these, 17,858, were receiving annuities based on occupational disability. The remainder, 17,268, were receiving annuities based on total and permanent disability.

Question. Does the Board review the continuing eligibility of disability beneficiaries? How many cases were reviewed in 1989, and how many are projected for 1990 and 1991?

Answer. The Railroad Retirement Board (RRB) conducts five types of ongoing continuing disability reviews and is beginning a sixth in fiscal year 1990.

After a disability decision has been made, cases are called up for review on varying schedules as follows:

Awards based on appeals	3 years
Medical improvement expected	6-18 months
Medical improvement possible	12 months
Earnings monitoring	As required
RRB/SSA coordinated decisions	As required
Medical improvement not expected (beginning in 1990)	5 to 7 years after initial determination

During fiscal year 1989, about 1,300 cases were reviewed for possible medical improvement or recovery. In approximately 12 percent of the cases that are reviewed as a result of the call-up process, beneficiaries are determined to be medically recovered. In fiscal year 1990, the RRB expects to review about 1,700 cases and in 1991 to increase the number reviewed to about 3,300 cases.

OVERPAYMENTS

Question. How much did the Board identify in overpayments last year? How much was recovered?

Answer. In fiscal year 1989, the Board established benefit payment accounts receivable totaling $81.4 million, which included $40.6 million in the retirement/survivor benefit program and $40.8 million in the unemployment/sickness insurance benefit program. Many of the accounts receivable are related to benefit adjustments required because of events occurring after benefit payments are made, such as injury settlements, entitlement to other benefits, unreported deaths, and earnings.

In fiscal year 1989, the Board recovered $69.5 million in benefit payment accounts receivable. The amount recovered includes overpayments identified in fiscal year 1989 and prior years.

RAILROAD EMPLOYMENT

Question. What is the current level of employment in the railroad industry? Are these numbers declining?

Answer. In 1989, railroad employment averaged 304,000. This is 2.6 percent less than the 1988 average of 312,000. The latest available information shows average railroad industry employment of 291,000 for January 1990.

ADMINISTRATIVE BUDGET

Question. How much did the Board request for administrative expenses in its budget submission? Please explain the differences between the Administration's request and your submission.

Answer. In August 1989, the Railroad Retirement Board (RRB) submitted a fiscal year 1991 budget request for $94,544,000 in administrative expenses, excluding $200,000 for a statutory reserve.

The Administration has proposed a fiscal year 1991 administrative budget of $88,157,000, excluding an increased statutory reserve of $500,000.

The amount proposed by the Administration will not adequately fund the following anticipated fiscal year 1991 costs. (Grouped by type of expenditure and listed in priority order.)

- $760,000 for the second year of a 3-year lease-to-purchase of our computer direct access storage devices. (The Administration's approval of the lease-to-purchase arrangement came after the preparation of the Administration's budget.)

- $465,000 to cover costs for printing and reproduction, postage, payments to the Treasury, and medical fees for applicant/beneficiary examinations.

- $335,000 for repairs and maintenance of equipment.

- $1.1 million to cover increased salary and benefit costs. We requested $59.9 million for personnel compensation and benefits. The Administration's budget provides $58.8 million for these costs. Both levels of funding include (1) the extra costs of 17 additional FTE's (1,642 FTE's in fiscal year 1991 versus 1,625 FTE's in fiscal year 1990), (2) the full-year costs for the January 1990 pay raise, and (3) one-half of the January 1991 pay raise (the Administration expects the RRB to absorb the other half of the 1991 pay raise within its budget). Our requested funding level would provide additional funds for (1) normal grade and step increases, (2) expected increases in health insurance costs, and (3) increased retirement costs as we employ more employees under the Federal Employees Retirement System (FERS).

- $832,000 to procure equipment items, such as personal computers, copiers, microfiche readers, computer terminals, systems furniture, and mainframe hardware/software. The Administration's budget includes funding for the mainframe computer, but no funds are provided for other equipment.

- $2.3 million in contract funds to (1) develop an integrated database for our automation initiatives ($1.4 million); (2) develop a cost accounting system ($200,000); (3) provide for ongoing software maintenance of our payroll and financial management systems as required ($30,000); (4) provide some computer-based training ($50,000); and (5) maintain and repair our headquarters building, including replacement of air-conditioning pumps, replacement of cooling coils, replacement of an air handling unit, and elevator upgrade ($601,100).

- $321,000 to cover supply items and other services costs.

- $279,000 to cover costs associated with staff training.

PAST YEAR BUDGET INFORMATION

Question. In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, fiscal years 1985-1990.

1) Total salaries and expenses

2) Amount of your appropriation that was unused and turned back to the Treasury

3) Equipment expenditures

4) Fourth quarter expenditures (all items over $3,000)

Answer. The information you requested is provided below for the Limitation on Administration and the Limitation on Railroad Unemployment Insurance Administration Fund. Not included is similar information for the Limitation on Review Activity which finances the activities of the agency's Office of Inspector General.

Total Salaries, Benefits, Equipment and Other Expenses
Fiscal Years 1985 through 1990
(in thousands of dollars)

	Fiscal Years					
Description	1985 (actual)	1986 (actual)	1987 (actual)	1988 (actual)	1989 (actual)	1990 (estimate)
Personnel compensation	$40,392	$41,659	$42,391	$44,451	$46,645	$48,987
Personnel benefits	4,999	5,079	5,636	6,938	8,019	8,878
Subtotal	$45,391	$46,738	$48,027	$51,389	$54,664	$57,865
Equipment	4,476 1/	223	1,030 2/	1,001 3/	691	1,383 4/
Other expenses	21,634	22,909	25,733	20,605	21,215	20,587
Total Administrative Expenses	$71,501	$69,870	$74,790	$72,995	$76,570	$79,835

1/ Consists mainly of $3.4 million for the purchase of a mainframe computer and direct access storage devices; $438,000 for data communications equipment; $312,000 for terminals, printers, controllers, and miscellaneous mainframe equipment; and $104,000 for personal computer equipment.

2/ Consists mainly of $532,000 for disk storage expansion and $206,000 for terminals and printers.

3/ Consists mainly of $367,000 for major software purchases, including the program accounts receivable and other packages; $277,000 for terminals, printers and other mainframe equipment; and $217,000 for personal computer equipment.

4/ Consists mainly of $600,000 for the first year of a 3-year lease-to-purchase of direct access storage devices; $90,000 for computer memory expansion; and $265,000 for a mainframe computer printer.

PAST YEAR BUDGET INFORMATION

Lapsed Amounts
By Limitation Account
Fiscal Years 1985 through 1989

Limitation Account	Fiscal Years 1985	1986	1987	1988	1989
Limitation on Administration [1]	$1,345,687	$ 532,514	$ 387,004	$ 82,929	$162,593
Limitation on Railroad Unemployment Insurance Administration Fund	424,878	781,941	836,533	253,119	87,339
Total lapsed amount [2]	$1,770,565	$1,314,455	$1,223,537	$336,048	$249,932

[1] Excludes the statutory reserve.

[2] Of the total amount lapsed each year, only the amount lapsed from the Limitation on Administration is returned to the respective trust funds. The end-of-year balance in the Limitation on Railroad Unemployment Insurance Administration Fund is not returned to the Treasury because under section 11(c) of the Railroad Unemployment Insurance Act, funds are permanently appropriated to the Railroad Retirement Board for administering the unemployment and sickness insurance benefit program. If the end-of-year balance exceeds $6 million, the amount in excess of $6 million is transferred to the Railroad Unemployment Insurance Account at the beginning of the next fiscal year.

Railroad Retirement Board
Contract, Equipment and Furniture Purchases
Over $3,000 During the Fourth Quarter
Fiscal Years 1986 through 1989 [1]

Vendor name	Purchase date	Amount	Description
Fourth quarter of fiscal year 1986			
Booz Allen & Hamilton	07/01/86	$4,000,000	Retirement claims processing system development
Computer Identics Corporation	08/08/86	7,256	Portable barcode reader and attachments
Clark Alarm Company, Inc.	08/08/86	3,500	Fire alarm annunciator for computer room

[1] Information for fiscal year 1985 is no longer available.

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
Expressway, Inc.	08/26/86	4,000	Furnish and install air conditioner in 8th floor conference room
Stolp-Gore Company	08/26/86	3,100	Materials and labor to rebuild the letter folding machine
Comdisco Disaster Recovery	09/01/86	5,000	Computer disaster recovery service
Joseph Construction Co.	09/01/86	392,000	Office renovations
Booz Allen & Hamilton	09/01/86	656,000	Retirement claims processing system development
Rolm Corporation	09/01/86	165,000	Telephone system changes
Social Security Administration	09/16/86	3,338	Computation software support
IBM Corporation	09/18/86	9,718	Terminals, color display and attachments
IBM Corporation	09/25/86	10,933	Computer control unit
IBM Corporation	09/26/86	13,064	Line printer and attachments
IBM Corporation	09/29/86	29,390	Computer cartridge tape system
Expressway, Inc.	09/29/86	8,850	Air conditioning service for 12th floor telephone switch room
	Fourth quarter of fiscal year 1987		
Hanson and Son	07/01/87	$ 27,000	Renovation of office space
IBM Corporation	07/09/87	7,439	Controller, modem and printer
Corporate Furnishings	07/16/87	5,300	File cabinets
IBM Corporation	07/22/87	9,348	Personal computer, color display and optical disk drive
Cost Containment Software	07/22/87	14,600	Review, analyze and provide recommendations about software development activity
Planned Interiors, Inc.	07/24/87	7,956	Space planning services
Mid American Elevator Co.	07/28/87	3,075	Replace damaged loading dock door and hardware for freight elevator
Data Shop, Inc.	08/01/87	20,000	Data entry services
Data Dimensions Corporation	08/01/87	20,000	Data entry services
Compumat	08/01/87	3,389	Laser printer and attachments

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
Booz Allen & Hamilton	08/01/87	150,000	Retirement claims processing system development
Center for Effective Communication	08/01/87	4,750	Advance writing workshop for employees
W.M. Vitu, Inc.	08/05/87	3,045	Computer software with speech synthesizer and attachments
Interlaken Lodge	08/05/87	227,000	Lodging for training employees
Electronic Form Systems	08/06/87	13,038	Formcoder workstation, laser printing system and attachments
J. M. Electric	08/13/87	3,150	Furnish and install additional electrical circuits on 3rd floor
Center for Effective Communication	08/19/87	3,250	Training for appeals referees
Kornick and Associates	09/01/87	38,000	Furnish and install carpeting
Haworth, Inc.	09/01/87	115,000	Systems furniture
Westinghouse Corporation	09/01/87	655,000	Furnish and install systems furniture
ASI Personnel Service	09/01/87	47,000	Filing of cost-of-living notices
Database Architects	09/01/87	193,000	Database training services
ROLM Corporation	09/01/87	37,000	Lease of telephone system
Hanson and Son	09/01/87	124,000	Renovation of office space
Booz Allen & Hamilton	09/01/87	2,760,000	Retirement claims processing system development
National Archives & Records Adm.	09/02/87	9,000	Preparation of agency records schedules
IBM Corporation	09/02/87	8,725	Personal computer and color displays
IBM Corporation	09/04/87	3,649	Computer printer
D & D Disposals	09/04/87	3,955	Driver and vehicles to dispose of surplus furniture in unusable condition
Ace Metal Refinishers	09/10/87	12,312	Labor and material to clean and paint 1st floor window frames and air vents
American Management Systems	09/10/87	6,060	Computer software technical services

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
Xidex Microimage Display	09/12/87	16,800	Microfiche reader/printers
Planned Interiors, Inc.	09/16/87	13,500	Space planning and interior design services
Rishel	09/16/87	4,431	Bookcase, double pedestal desk and computer credenza
Westinghouse Corporation	09/19/87	5,764	Systems furniture for 3 district offices
Motorals, Inc.	09/24/87	11,000	Replace two defective cameras and guard console in main lobby
Loyola University of Chicago	09/24/87	8,100	Training sessions on merit selection interviewing
Expressway, Inc.	09/24/87	14,800	Provide materials, equipment and labor to install spencer turbine gas booster pump
Altech Company	09/24/87	3,300	Furnish and install new door frame and return air duct
American Management Systems	09/25/87	5,000	License to use personal computer software
IBM Corporation	09/28/87	4,507	Personal computer
American Management Systems	09/28/87	3,190	Software development
Fixture Furniture	09/28/87	3,040	Chairs with chrome frames
J. M. Electric	09/28/87	17,765	Furnish and install additional electrical service
American Management Systems	09/28/87	4,640	Software development
Sunstrand Electric Co.	09/28/87	5,551	Purchase and installation of telephones
Illinois Belli & Belli Co.	09/28/87	10,238	Provide construction administration on headquarters modernization project
American Drapemasters	09/28/87	10,450	Fabrication and installation of drapes
IBM Corporation	09/29/87	48,685	Controllers and terminals
IBM Corporation	09/29/87	4,014	Terminal multiplexer
Stanlee Floors	09/29/87	3,432	Installation of carpeting and removal of existing carpeting
Corporate Furnishings	09/30/87	52,639	Chairs with arms and hard casters

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
Southeast Office Interior	09/30/87	29,100	Systems furniture
Kornick Associates, Inc.	09/30/87	38,430	Carpeting
American Seating	09/30/87	24,875	Chairs upholstered with arms and chrome bases
Contract Interiors	09/30/87	3,419	Installation of systems furniture
Haworth, Inc.	09/30/87	35,760	Systems furniture
Xerox Corporation	09/30/87	7,902	Photocopier
Corporate Furnishings	09/30/87	10,180	Chairs without arms, with hard casters
Bobbe & Company	09/30/87	3,380	Paint exterior windows and boiler stack
Fourth quarter of fiscal year 1988			
TSI International	07/01/88	$ 26,000	ADP operating system software
D & D Disposal	07/05/88	4,700	Removal of excess property
Haxton Interior Planning	07/05/88	3,486	Conference table
TSI International, Inc.	07/05/88	28,250	License to use software and accessories
Rishel	07/05/88	5,460	Executive furniture and computer support credenza
Comdisco Disaster Recovery	07/05/88	16,323	Tax form printing
American Management Systems	07/05/88	38,658	Software maintenance
IBM Corporation	07/08/88	14,198	Printers
Computech	07/20/88	24,950	Technical review of data processing plans
Aurora Woodlands Inn	07/22/88	20,000	Lodging and meals for training sessions
IBM Corporation	07/26/88	5,479	Personal computer, color display and printer
Bently, Barnes & Lynn	07/26/88	3,290	Newspaper advertisement for employment
Pansophic Systems	08/01/88	48,000	License for library control software
Westinghouse Corporation	08/01/88	378,000	Furnish and install systems furniture
Haworth, Inc.	08/01/88	63,000	Furnish and install systems furniture
Datashop, Inc.	08/01/88	30,000	Data entry services

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
Midwest Mechnical	08/03/88	10,288	Furnish and install exhaust fans and ductwork for smoking areas on four floors
Talbott Hotel	08/05/88	3,600	Rental of rooms for informational conference
IBM Corporation	08/05/88	18,090	Personal computer system and color display
Electronic Forms System	08/09/88	5,405	Formwriter laser printer system
Hampton Business Machines	08/09/88	3,630	Dataview computer system and disk drive
Planned Interiors	08/09/88	11,900	Space layout plan for the 11th floor
Corporate Furnishings	08/11/88	3,102	Filing cabinets
Cuyahoga Companies	08/11/88	5,398	Installation of systems furniture for the Cleveland district office
Corporate Furnishings	08/11/88	3,283	Polytrop task chairs
Fixtures Furniture	08/11/88	4,318	Reception seating for district offices
American Seating	08/13/88	3,335	Stack chairs
Modern Office	08/13/88	5,966	Keyboard stand
Haworth, Inc.	08/13/88	39,426	Systems furniture for the Cleveland district office
IBM Corporation	08/13/88	4,552	Personal computer, disk drive, color display, printer and sheet feeder
Haworth, Inc.	08/13/88	24,330	Systems furniture for the Jacksonville district office
Landquist and Son	08/17/88	5,900	Construct enclosure for lobby security station
Mid American Elevator	08/17/88	8,679	Installation of rear elevator doors on the 10th and 11th floors
3M Business Products	08/19/88	7,667	Microfilm reader/printer
Pansophic Systems	08/23/88	48,150	Perpetual use license for library control system
AFT Davidson Company	08/27/88	15,144	Printing press system
American Drapemasters	08/27/88	5,584	Furnish and install mini blinds for the 11th floor
Commercial Floor Covering	09/01/88	30,000	Furnish and install carpeting
American Management Systems	09/01/88	289,000	System development services

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
Westinghouse Corporation	09/01/88	293,000	Furnish and install systems furniture
IBM Corporation	09/01/88	30,933	Display station, control unit and terminal multiplexer
Commercial Floor Covering	09/07/88	29,820	Furnish and install carpeting
IBM Corporation	09/10/88	5,034	Personal computer, color display and printer
Mid-West Mechanic	09/10/88	6,945	Furnish and install supplemental air conditioning unit for switch room
Corporate Furnishings	09/10/88	8,331	Giroflex task chairs
Westinghouse Electric	09/12/88	12,793	Systems furniture
Defense Contract Audit Agency	09/16/88	8,528	Professional audit services
Business People, Inc.	09/16/88	3,750	Registration fee for job fair recruitment
Corporate Furnishings	09/16/88	7,252	Polytrop task chairs
IBM Corporation	09/16/88	16,182	Personal computers and color displays
National Independent Study	09/19/88	4,032	Independent study courses
Computer Data Co.	09/19/88	6,414	Laser printers
Commercial Floor Covering	09/22/88	27,548	Furnish and install carpeting
Haworth, Inc.	09/22/88	17,667	Installation of systems furniture for Denver district office
Commercial Floor Covering	09/24/88	19,718	Furnish and install carpeting
Wang Laboratories	09/24/88	5,079	Computer printer
IBM Corporation	09/27/88	16,486	Display station and multiplexer with control unit
Bently, Barnes, and Lynn	09/28/88	3,290	Newspaper advertisements for employment
Clarklift of Chicago	09/28/88	19,564	Hydraulic lift
Reb Steel Equipment	09/28/88	5,025	Material necessary to construct metal storage cages

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
Corporate Furnishings	09/28/88	3,832	Polytrop task chairs

NOTE: The Railroad Retirement Board's Inspector General reviewed fourth quarter spending in fiscal year 1988. The Inspector General concluded that:

> "...[S]pending was adequately justified by long leadtimes, seasonal requirements, and bureau needs. Also, these items had been planned and budgeted for the 1988 fiscal year."

Fourth quarter of fiscal year 1989

Vendor name	Purchase date	Amount	Description
Quarterage Hotel	07/03/89	$ 3,006	Training class for GS-10 contact representative training
Seville Temporary Service	07/10/89	3,032	Provide services of switchboard attendant
Karastan/Bigelow	07/21/89	38,226	Carpeting for 10th floor
Corporate Furnishings	07/24/89	60,730	Polytrop task chairs
American Management Systems	07/27/89	8,714	Software maintenance
Computer Identics Corporation	07/28/89	5,490	Printer and keyboard
AT&T	07/28/89	4,132	Telephone equipment
Erica Bengston Grant	07/28/89	3,400	Conduct training course on supervision and personal skills
Nuarc, Inc.	07/29/89	4,180	Fliptop plate maker
Information Systems Technology	08/01/89	245,000	Development of tax software
Tillinghast	08/01/89	38,000	Software to make unemployment experience rating forecasts
Donnelly and Associates	08/02/89	4,620	Technical review of elevator modernization specifications
Dial One Midwest Mechanic	08/04/89	5,400	Installation of supplemental air conditioning
Government Technology Services	08/08/89	9,068	Personal computer with disk drive, color monitor and software
J.M. Electric	08/09/89	5,080	Furnish and install fixtures for emergency lighting on 4th floor

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
M.G. Electric	08/09/89	3,496	Repipe designated feeds and reroute electrical circuits
Lenox House	08/09/89	26,000	Lodging for employee training
Corporate Furnishings	08/18/89	7,170	Polytrop task chairs
Brewster Corporation	08/18/89	5,146	Partitioning for district offices
EDP Security	08/22/89	14,250	Perpetual license to use software systems for disaster plans
Sunstrand Electric	08/22/89	15,318	Connect electrical feeds on the 10th floor and run coaxial cables
Kornick and Associates	08/22/89	13,800	Install carpeting for the 10th floor
J.M. Electric	08/23/89	8,200	Install separate circuits for emergency lights on 3rd and 4th floors
Hyatt at Oakland International	08/25/89	5,100	Lodging for training class
Planned Interiors	08/28/89	12,000	Design and space layout for the 12th floor
Mid-American Elevator	09/01/89	6,000	Elevator maintenance
Consultative Examinations	09/01/89	24,000	Medical services review
American Management Systems	09/01/89	21,000	Software maintenance
Ogden Allied Services	09/01/89	32,000	Security guard service
Armor Elevator	09/01/89	520,000	Elevator modernization
Westinghouse Electric	09/01/89	268,000	Furnish systems furniture
MGT of America, Inc.	09/01/89	42,000	Software maintenance
Karastan/Bigelow	09/11/89	7,479	Carpeting for 10th floor
Kornick Associates	09/15/89	5,605	Furnish and install carpet tiles
Government Technology Services	09/18/89	6,835	Personal computer, color monitor and software
Government Technology Services	09/20/89	10,429	Personal computers, monitors and disk drives
Planned Interiors	09/20/89	14,790	Freestanding sorter
Fixtures Furniture	09/20/89	3,182	Encore folding tables
American Drapemasters	09/20/89	6,197	Furnish and install mini blinds for 10th floor
Government Technology Services	09/25/89	4,963	Personal computer, printer and sheet feeder

PAST YEAR BUDGET INFORMATION

Vendor name	Purchase date	Amount	Description
Ambassador Office Equipment	09/25/89	3,567	Facsimile machine
Government Technology Services	09/25/89	3,138	Personal computer and monitor
Haworth, Inc.	09/28/89	3,240	Installation charges for Huntington district office systems furniture
Corporate Furnishings	09/28/89	3,292	Polytrop task chairs
Memorex - Telex	09/28/89	202,800	Controllers and terminals
Reinke Wholesale Supply	09/28/89	7,900	Furnish vent wood ceiling system
Haworth, Inc.	09/28/89	33,825	Furnish and install systems furniture for Pittsburgh district office
Memorex - Telex	09/28/89	58,642	Controllers and terminals
IBM Corporation	09/28/89	18,320	Multiplexers
Karastan/Bigelow	09/28/89	8,820	Furnish carpeting for library
Hanson and Son	09/28/89	40,675	Furnish and install wooden entrance doors, side lights and install wood ceiling in mural room
Haworth, Inc.	09/28/89	32,879	Furnish systems furniture for Huntington district office
Planned Interiors	09/29/89	5,000	Provide design and space layout for Office of Inspector General

AUTOMATION

Question. The Board has put a number of functions on line, cutting down on processing time. What is the current status of your automation plan?

Answer. All things considered, we have made good progress in improving our automated systems and implementing changes to automated systems stemming from enactment of the Railroad Unemployment Insurance and Retirement Improvement Act of 1988.

Since we appeared before your committee last year, major aspects of this legislation have been implemented and remaining phases of required systems changes are on schedule. Changes affecting the railroad retirement program included restrictions on employment and earnings by retirees, crediting of military service, treatment of separation or severance pay for retirement purposes, offsets for government pensions, deductions for post-retirement earnings, and denial of benefits due to deportation.

For the unemployment and sickness insurance program, the legislation extended the tax to repay the loans from the Railroad Retirement Account to the Railroad Unemployment Insurance Account; increased the maximum daily benefit rate; established a 2-week waiting period for benefits; provided for experience rating for employer contributions; and indexed the tax base, qualifying earnings requirements and future benefit levels to national wage levels. The first major phase of the experience rating system became operational in January 1990, and other major segments are on schedule so that we can meet 1991 and 1992 phase-in dates.

During 1989 and thus far in 1990, we have also successfully implemented several new automated systems. The first, the railroad unemployment claims system, fully implemented in September 1989, allows for the direct entry of unemployment applications and claims by field office staff, by way of terminals, into the daily processing system. In addition, in January 1990, our headquarters staff began entering sickness insurance claims from terminals. Furthermore, we recently implemented a program accounts receivable system, which brings us into overall compliance with the Debt Collection Act. In addition, we installed disk storage devices critically needed to support the new experience rating system and our taxation, benefit payment, and financial management systems.

On the other hand, when we appeared before your committee last year, we had planned to concentrate most of our resources on making incremental improvements to our retirement claims processing system by implementing 23 distinct projects to be developed over a 5-year period extending until 1994 (this plan being referred to as Action 94). The first of these 23 projects was completed--i.e., a system to automate issuance of 60,000 rate verification letters annually. However, as a result of internal quality assurance studies requested by our Chief Executive Officer, weaknesses in the quality and timeliness of information produced by our tax accounting system were identified. Accuracy of the information on tax statements was a major concern, as well as the legibility of printed statements and the quality and timeliness of our contacts with our beneficiaries.

As a result, in mid-1989, we shifted staff from working on Action 94 to correct these problems. Improvements in the accuracy and timeliness of our tax system and in the quality of service were made, culminating in the release of about 970,000 tax statements in January 1990. However, much more work needs to be done to improve the tax statement processing operation.

We recently completed an updated automation plan that recommends an automation approach that proceeds simultaneously with (1) short and long-term taxation improvements, (2) completion of a backlog of program maintenance requests in the initial retirement adjudication system, and (3) renewed development of other new automation initiatives.

TAXATION SYSTEM

Question. It is my understanding that you are planning to provide an on-line facility to correct erroneous claims transactions and reprocess them as a means of preventing inaccurate data from entering the payment and tax accounting systems. How will this impact on your current hardware capacity?

Answer. We are currently working with a contractor to develop an on-line data correction facility for the tax database. The facility, which we plan to begin using during the third quarter of fiscal year 1990, will process only selected types of corrections. We estimate that implementation will have little or no impact on our current hardware capacity.

In addition, our automation plan calls for in-house development of a much more extensive on-line system to correct and reprocess erroneous data in the initial retirement claims processing system. This will utilize an "orbit" file to expand our current pre-edit capabilities and help to prevent incorrect data from entering the tax database. We plan to begin developing the system during this fiscal year and to complete it by September 1991. We estimate that we will need additional computer capacity in order to operate this system without seriously impairing the response time for other database systems.

Question. What other plans do you have to improve the taxation system, and will these plans require additional computer hardware?

Answer. Based on the findings of internal quality assurance studies produced in fiscal year 1989, our contractor's proposals for tax system improvements, and other internal plans for corrective action needed in the tax area, we have identified the following four taxation-related projects as having the highest priority, to be started as soon as possible and completed by September 1991.

- Provide the above-mentioned on-line facility to correct erroneous claims transactions and reprocess them as a means of preventing inaccurate data from entering the payment and tax accounting systems.

- Complete development of tax correction forms and programs to allow for the manual adjustment of tax data.

- Change the programs which create tax statement data to run on a quarterly, rather than an annual, basis. This should identify potential problems earlier in the year and provide more time for needed corrections.

- Automate the production of corrected tax statements based on new or revised data.

In addition, we have identified the following three projects as part of a second priority group that will be started as soon as resources are available.

- Make retroactive corrections in the allocation of tier 1 benefits between the social security equivalent benefit (SSEB) amount (which is taxed as a social security benefit) and any remaining non-SSEB amount (taxed as a private contributory pension benefit), and issue corrected statements, as necessary.
- Develop more structured testing methods that will allow us to test tax system corrections and enhancements more quickly.
- Develop a long-range plan to redesign the tax system to focus solely on tax accounting, withholding and reporting operations and disassociate it from other claims-related processes and systems.

During 1990, we also plan to have our contractor complete work on the following four tasks that were started in 1989:

- Develop an on-line data correction facility for the taxation database to handle selected types of corrections.
- Develop a data analysis program to detect incomplete or invalid data.
- Improve the performance of the tax database.
- Analyze current tax testing processing and develop a new testing facility (after the functional requirements are defined and accepted by the Railroad Retirement Board).

Several of these computer system-related improvements will require additional computer capacity, in particular, our plans to develop a front-end edit capability (referred to as an orbit file) and a tax testing facility. The former will stop the payment of annuities in cases where an error is identified and enable our staff to correct the error and reprocess the case promptly, at the same time providing accurate information to the taxation system. Also, a tax testing facility is vitally needed to ensure the performance and accuracy of our taxation system and database files. The computer capacity to store the computer logic and test records for the tax testing facility could be as complex and as large as that needed for the taxation system itself. The computer capacity needed for these improvements has been included in our requirements calculations for our requested new mainframe computer.

STAFFING

Question. We understand that the Office of Management and Budget has asked the Office of Inspector General to perform a utilization study of the agency's FTE/staff year needs. What benefits does the agency envision from such a study and how do you see the review being carried out?

Answer. The most beneficial approach from our viewpoint would be to focus this study on our four major operations areas, i.e., the bureau of retirement claims, the bureau of unemployment and sickness insurance, the bureau of data processing, and the bureau of field service. The review should identify work on hand and recurring workloads, evaluate how these workloads are being managed and recommend improvements to our manual and automated processes. In addition, an evaluation of current staffing levels in these bureaus, with recommendations for optimum staffing levels, would be helpful.

Question. How much overtime did the Board pay in fiscal year 1989, and how much is projected for fiscal year 1990 and fiscal year 1991?

Answer. In fiscal year 1989, the Railroad Retirement Board paid $556,000 for overtime. This amount was significantly less than the $964,000 incurred in fiscal year 1988 for overtime costs. In fiscal years 1990 and 1991, we plan to limit overtime expenditures to $500,000 or less.

Question. What steps are being taken to reduce overtime?

Answer. First, we have reduced the allocation of overtime dollars through the budget process. Second, we have instructed our managers that overtime dollars are to be spent primarily on such work as reducing backlogs, developing automated systems, ensuring prompt, accurate and thorough responses to constituent inquiries, and other high priority activities. Third, we require monthly reports from our managers on how overtime dollars were spent.

PURCHASE OF MAINFRAME COMPUTER

Question. Do you plan to go out for the purchase of a mainframe on a sole source contract?

Answer. No. The award will be made on a competitive basis within the guidelines of a compatibility limited procurement. We plan to publish a notice in the Commerce Business Daily during June 1990 for the purpose of developing a bidders list. We will then issue a request for proposals during August 1990, and we will evaluate all proposals received.

Question. If the contract for a new computer is truly going out on a competitive bid, what are the costs associated with redesign?

Answer. Because of the excessive risks and costs that would result from redesign, we will require compatibility with existing software and hardware. We have conducted a software conversion study and have determined that the risks associated with software conversion are so high that they could seriously jeopardize our ability to fulfill our critical mission responsibilities. In addition to the high risk exposure, our preliminary analysis indicated that a software conversion could add between $30 million and $35 million in costs.

We based our cost analysis on the "Federal Conversion Support Center Conversion Cost Model (Version 2)." The following major activities were considered: the cost of operating a secondary data center during the 3-year transition period while converting from the present system to its non-compatible successor ($6 million); conversion planning ($1.5 million); actual conversion of job control language and application programs ($14 million); data file conversion, including database ($3.5 million); testing of the converted system ($5 million); and administration, training, redocumentation, and conversion tools ($3 million).

In addition, we have estimated the costs associated with hardware compatibility. Our current peripheral devices would not operate with a mainframe computer that has a different architecture. We estimate that hardware conversion would require approximately $4.3 million to replace peripheral equipment, including direct access storage devices, tape systems, terminals, controllers, and our high speed printer. Changing over to devices that have a non-compatible architecture would also be very disruptive to agency operations. The devices would have to be installed at a secondary site to permit current operations to continue at our current data center. As shown above, we estimate that secondary data center costs could amount to $6 million over a 3-year period.

Question. I note that in your cost estimates, you have calculated costs for water cooling. What manufacturers have computers that require water cooling aside from IBM?

Answer. Our research indicates that the Amdahl 5990 series computer requires water cooling for the central processing unit, memory control unit and channel subsystem processor. At this time, however, it does not appear that we would need to install additional external plumbing if we purchase an Amdahl computer. The high capacity computers from Hitachi Data Systems require no liquid cooling of any kind. However, we do not know what their next generation of computers will require. As chip densities increase, liquid cooling may be required for all high capacity computers. Purchase of a high capacity computer produced by any one of these three manufacturers will require us to furnish additional heat dissipation equipment. All produce more heat than our current processor. Heat from these computers must be dissipated either through additional air conditioning systems or a combination of air conditioning and water cooling systems. In our cost analysis we considered the combination of air conditioning and water cooling so as not to bias the analysis in favor of a particular manufacturer. We could have better identified the costs as "additional heat dissipation costs." At this time we do not know whether water cooling will be required.

CURRENT COMPUTER SYSTEM

Question. Does your current system have a totally integrated database -- for example are the retirement, sickness benefit, or unemployment data bases integrated or do they stand alone?

Answer. The system software that manages the data for the retirement and unemployment/sickness insurance programs is an integrated database management system. The data for these programs, however, is stored separately and stands alone.

Question. What consideration have you given to offloading some of the processing functions onto another smaller system that would still allow for on-line access and thus give the Board time to do some long-range needs assessments and coordinated plans for data processing acquisitions?

Answer. In our analysis of alternative approaches, we considered the addition of a second processor. This approach was rejected, however, because another smaller system would not be as cost-effective as the recommended approach. This is due to the fact that a dual processor configuration would introduce operational complexities. We would have to address increased coordination difficulties, duplication of software, sharing of disk storage and communications equipment, additional floor space requirements, and the need for additional technical and operations staff. All of these factors would increase operating costs.

Question. What programs are on your current system?

Answer. The following major programs are on our system:

Retirement/Survivor
Unemployment and Sickness Insurance
Medicare
Financial/Payroll

Question. Please furnish a complete list of the amount of capacity each program on your system uses.

Answer. We estimate that resource utilization on the computer system is as follows:

Retirement/Survivor - 83%
Unemployment and Sickness Insurance - 15%
Medicare - 1%
Financial/Payroll - 1%

Our computer performance monitor indicates that our current work load drives the processor to an average 95 percent utilization during mid-morning and mid-afternoon work hours, with frequent peaks at 100 percent. This far exceeds recommended levels, and some of the work does not get processed on a timely basis.

Our automation plan and sizing study project a 10-fold increase in the database transaction rates during the critical period of the average day as our application systems are redesigned for online processing. Our modeling tools indicate that a computer five times larger than the one we now have will be able to process this work load. Any increase in transaction loads on our current computer will seriously degrade response times for our high priority work.

Question. What is the average current response time?

Answer. We have prioritized the time-critical work load in our processor to ensure that response times for the database application system remain at 4 seconds or less. However, the effect of doing so is that response time on our time sharing system, which is used for system development, often extends to 20 seconds or more. In addition, non-scheduled batch work becomes backlogged because of the lengthy queues of work waiting to be processed.

ANALYSIS OF COMPUTER NEEDS

Question. Once the General Services Administration (GSA)/Federal Systems Integration and Management Center (FEDSIM) completes its capacity study, do you plan to purchase new equipment through GSA or do the contract in-house?

Answer. The contract will be awarded in-house. The cost of this equipment exceeds the General Services Administration (GSA) schedule maximum order limitation. Accordingly, we will not be using a GSA schedule contract.

We will submit an agency procurement request to GSA during April 1990 to obtain a delegation of procurement authority to proceed with a negotiated procurement. In preparation for this submission, we have conducted the requirements analysis, analysis of alternatives, planning to foster competition in our procurement efforts and other activities required by the Federal Information Resources Management Regulations.

Question. Has GSA done an analysis of the type of equipment required to meet capacity needs?

Answer. The General Services Administration's (GSA) Federal Systems Integration and Management Center (FEDSIM) is in the process of performing an analysis of the size of processor we need. The initial capacity study was done in-house. This study recommended that a processor with five times the capacity of our current processor would be needed to accomplish our plans. GSA/FEDSIM was provided with the results of the in-house analysis. In their preliminary response they support the conclusions reached in-house and endorse the size of equipment specified in our capacity analysis.

OFFICE OF INSPECTOR GENERAL

STATEMENT OF CHARLES R. SEKERAK, ASSISTANT INSPECTOR GENERAL

BUDGET REQUEST

Senator HARKIN. Next we have the Office of Inspector General for the Railroad Retirement Board. We will hear from Mr. Charles R. Sekerak, Assistant Inspector General for Investigations, who will be testifying on behalf of Mr. William Doyle, who is ill and could not be here today.

The fiscal year 1991 budget request for the Office of Inspector General is $7.698 million, 119 FTE's, an increase of $3.795 million and 45 FTE's over fiscal year 1990.

Mr. Sekerak, it is good to have you here with us. We discussed last year at length the whole issue of fraud, waste, and abuse, the need to have a strong program, and if you could summarize your statement, your full statement will, of course, be entered into the record.

We are glad to have you here today.

PREPARED STATEMENT

Mr. SEKERAK. Thank you. I am honored to be here. William Doyle, the inspector general, is unable to be here today. I would like to submit his testimony for the record. I would be pleased to answer any questions you may have on our budget.

[The statement follows:]

STATEMENT OF WILLIAM J. DOYLE, III

Mr. Chairman and Members of the Subcommittee:

My name is William J. Doyle III, Inspector General of the Railroad Retirement Board (RRB). I am here today to speak on behalf of my budget request for FY 91.

Let me once again thank you, Mr. Chairman, and the other members of your subcommittee, for your strong support of the Office of Inspector General during the past year.

For fiscal year 1991, the Office of Inspector General is requesting a total of $7.698 million and 119 FTEs. This represents an increase of $3.795 million and 45 FTEs over the 1990 base.

This budget request was recommended by the Administration, and I strongly support the Administration's recommendation.

The Railroad Retirement Board's Office of Inspector General was established in January 1986 to provide audit and investigative coverage of the RRB - an agency which provides Federal insurance protection for America's railroad workers and their families. Since the OIG's inception, it has been our goal to eliminate fraud, ensure that benefits are paid accurately and timely to beneficiaries, and finally, to safeguard the trust funds from which all benefits are paid.

In the past 15 months, our audit and investigative efforts have resulted in $169.9 million in recoveries and potential monetary benefits together with 82 criminal convictions. We have made major contributions towards improving the economy and efficiency of RRB operations and increasing fraud awareness through a comprehensive audit and investigative program coordinated with Board management and operations. Since 1986, our Offices of Audit and Investigations are credited with identifying $410.2 million in actual and potential recoveries and 135 criminal convictions.

After three years experience, this office has reviewed past accomplishments and audit and investigative efforts to be undertaken in order to strengthen RRB programs and operations. During this time, the OIG has been working closely with the Board Members and operations managers. Major problems, however, still exist, and a theme emerges that substantial fraud continues to exist in the RRB benefit programs. Even our aggressive investigative and audit efforts together with Board support have not reversed this alarming trend that shows that the perception still exists that RRB programs remain a fertile area for perpetrators of fraud. This office cannot at this time provide a credible deterrent to this perception.

I would like to share with you my major areas of concern that relate directly to the Office of Investigations (OI) and its mission. They are:

- Health care fraud, and
- Fraud in RRB entitlement programs.

The Office of Investigations is divided into two units: one which investigates health care, disability and internal investigations, and a second that handles unemployment, sickness, and retirement annuity (check theft and forgery) violations. As our investigative coverage increases nationwide, we are now just beginning to recognize the degree of widespread fraud associated with these RRB programs.

Our comprehensive fraud and investigative program review over the last three and a half years has shown that a very serious fraud problem exists in the various entitlement programs of the RRB. Any fraud, regardless of the amount of dollars involved, reduces funds available for current and future railroad retirement beneficiaries. Our experience indicates that fraud is on the rise at alarming rates. Since 1986, the number of cases under investigation has risen over 1,000%, from approximately 150 to over 2,044. The total fraud amount is now approaching over $15 million. This is even more disturbing considering the fact that this office is only in the early stages of establishing a Medicare fraud program, as well as computer matching techniques to uncover fraud in other programs. The RRB, through its contract with The Travelers Insurance Company, pays out over $650 million annually in Medicare benefits. The potential exists to open Medicare investigations representing tens of millions of dollars in fraud. This potential has already been realized by the Department of Health and Human Services (HHS), Office of Inspector General (OIG), with which this office is working closely in joint investigations. We also have a joint HHS/RRB Medicare review in process wherein criminal matters are being cross matched with Railroad Medicare. Over 400 new joint investigations could result from this cross match.

Let me give you a few examples of Medicare fraud being investigated by our Office of Investigations in cooperation with HHS-OIG.

> OI is investigating an ophthalmologist who owns and operates a large clinic specializing in laser and cataract surgery; this doctor has allegedly falsified eye examination results in order to justify otherwise unnecessary and costly surgery. Billings to Railroad Medicare alone are over $2.3 million.
>
> Another ophthalmologist is suspected of over-utilizing laser eye surgery and billing for eye surgeries during which the eye laser machine was not even turned on. This doctor has billed over $100,000 to Railroad Medicare.

OI is investigating a durable medical equipment company which specializes in providing colostomy equipment supplies to nursing homes. Our investigation to date indicates that this company has billed Medicare for supplies such as colostomy equipment that, in fact, were never delivered to the nursing homes. This company has billed Railroad Medicare for over $200,000.

As a result of a complaint received through our OIG Hotline, OI is investigating a physical therapy clinic, alleged to have treated Railroad Medicare beneficiaries for therapy that was not ordered by their doctors. These treatments, of course, resulted in multiple false billings to Medicare.

OI is investigating a medical doctor who specializes in complex examinations and nursing home visits. This doctor has billed Medicare for as many as 54 examinations in a single day. The doctor allegedly bills Medicare for individual visits when group visits should have been billed.

Our unemployment fraud cases have risen to an all-time high of 1,253 open investigations representing over $2.5 million in potential fraud even though computer matching techniques are only being used in seven states. Therefore, if the seven states are indicative of fraud in other states, then the potential exists for literally thousands of fraud cases in states where matching programs have not even been started. As our computer matching programs expand, we project that we will open an additional 1,000 cases in the next 60 days. While these cases are not always of high dollar amounts, they represent, as stated earlier, a propensity of individuals to "tap the trust funds" for their own ill-gotten gains.

Two examples of cases in the unemployment and sickness insurance program which underline the greed of some individuals are:

> An individual who was previously investigated by OIG/OI and prosecuted for fraudulently claiming over $9,000 in sickness benefits is once again the target of an investigation. The current case involves allegations that the subject may have made material misrepresentation regarding his eligibility for sickness benefits after receiving severance pay from a railroad employer.
>
> An example of the disregard some have for the rules of the programs is the individual who claimed unemployment benefits while he was also working at a railroad. Another railroad employee reported this activity and, as a result, the employing railroad removed the offender from his job. Investigation identified $10,000 paid due to these illegal claims. The subject was recently convicted of felony fraud in this very important matter.

Another area on which we are focusing is disability fraud. The RRB currently has 41 open cases that have a total financial value exceeding $2 million. To date, we have conducted disability computer matches in only two states; therefore, the potential for expanded fraud cases exists in this program as well. Our Office of Investigations has been quite active in disability fraud investigations. Some examples are provided in the following:

> One OI case involves an RRB disability annuitant who, in 1985, was granted an RRB disability annuity due to an arthritic condition in his right knee. Subsequently, allegations were received that the subject was engaged in heavy construction work through his own construction contracting company. Evidence to date indicates that the subject has established a

construction company in his wife's name and may be "hiding" income in excess of that allowed under the disability regulations.

Another current disability investigation was opened as a result of a complaint received through our OIG Hotline, which alleged that the subject, after receiving an RRB disability for an arthritic knee condition, owned and operated his own company. The investigation has disclosed that the subject does, in fact, own and operate his own company, which the subject placed in his wife's name shortly after receiving his disability in 1988. Ironically, the subject's company specializes in installing railroad ties. This company earned over $100,000 in a three month period in 1989.

A third case involves an RRB disability annuitant who is receiving disability annuity benefits based upon a degenerative back condition. However, evidence has been obtained that the subject has been heavily involved in carpentry and construction work.

Another area that is highly vulnerable to fraud and abuse is that involving representative payees. This program involves individuals who volunteer to handle RRB retirement benefit payments on behalf of another person. The RRB currently has a program in place to monitor these payees. However, because of recent publicity detailing abuses in this type of program, we plan to increase our audit and investigative efforts to improve current operations and tighten controls.

A few sample cases of abuse in this area include:

A woman concealed her disabled daughter's 1977 death from the RRB; our investigation verified the death. Upon interview, the mother admitted that she defrauded the RRB of about $100,000 because she needed the money.

An annuitant with diminished mental capacity was cared for by her sister until her sister's death. A nephew, a convicted felon, then became the annuitant's representative payee. Later, the RRB determined that the annuitant had been underpaid $31,517 and sent the representative payee a check for this amount. Investigation disclosed that the representative payee used this check to purchase trucks for himself while the annuitant was kept locked in her bedroom and neglected.

OIG/OI received an allegation that a representative payee kept a widow and her son in what a state Human Services Department official described as "....a condemned house...in sub-human conditions." This representative payee kept most of the RRB benefits for his own use and gave the widow very little care. This representative payee was ultimately killed during a drug deal before we could interview him.

Our investigative efforts also include fraud in the retirement benefits area. All too often, family members of the RRB retirement annuitants defraud the program after the death of the annuitants.

In one instance, husband and wife annuitants died within a week of each other. The RRB was never notified of the deaths and continued to issue checks totaling $32,000. Relatives claim that unknown persons must have taken the checks from the annuitants' mailbox since their deaths.

In another case, an annuitant died in 1976 but the RRB did not discover the death until 1988. During that time, over 144 checks totaling $59,000 were paid into a checking account on which the annuitant and several relatives were signatories. The money is gone, and we are investigating.

You can see that as our staffing of investigators has increased over the past three years, so too has the investigative caseload increased in number and complexity. The average caseload per agent has risen to its present level of about 128 cases per special agent. Cases presented to the U.S. Attorneys also increased to an all time high of 371 in FY 89. Last year when I testified, our caseload average was 63 per agent. We currently have 85 open cases pending prosecution with U.S. Attorneys across the country.

In summary, even though we have increased the number of investigations, convictions, and joint activities with other agencies, fraud remains at a high level of concern for the OIG and Board management. The hiring and training of new investigators takes time, and the investigative workload is increasing substantially. More investigations are part of the solution to decrease fraud, but the OIG's ability to create a credible deterrent against committing this fraud is also essential to reducing fraud in the benefit programs.

I would now like to discuss the major audit concerns that we plan to address in FY 91. I feel this office has and will continue to have a direct impact on improving the day-to-day operations of the RRB. The Office of Audit priorities include:

- Non-compliance of payroll taxes by major rail employers (payroll tax revenues paid by railroad employers and their employees exceeded $4 billion in FY 88; it is imperative to the health of the trust funds that all taxes are collected from the railroads);

- Oversight of the RRB trust funds and investment practices (the agency's annual cash flows exceed $23 billion, with incoming funds of $12 billion and outgoing funds of $11 billion);
- Excessive backlogs in claims processing adjustment cases (these backlogs currently have a monetary impact of $55 million; a primary goal of the RRB is to pay accurate and timely benefits);
- Review of deficiencies in current collection programs (receivables currently total over $58 million);
- Vulnerability of the Medicare program that pays out over $650 million annually, and for which the RRB has a $20 million contract with The Travelers Insurance Company; and,
- Review of Board policy and direction in improving the timeliness and accuracy of tax statements to railroad beneficiaries.

The Office of Audit presently is divided into 5 divisions that correspond to the main operational areas of the RRB. The Office is responsible for the review and evaluation of RRB programs, and the subsequent timely reporting of all problems and deficiencies to the Board Members and Members of Congress. The Office also tracks the progress of corrective actions taken by RRB managers on audit recommendations.

Since 1986, the Office of Audit has issued 54 reports that have identified potential and actual monetary benefits exceeding $406.7 million. In addition, we were also recently informed that a 1987 RRB-OIG audit recommendation on the financial interchange -- the annual funds transfer between the Social Security Administration (SSA) and the RRB -- will result in a one-time credit to the RRB trust funds of some $350 million.

Our audit report recommended that the RRB and SSA should develop a new formula for calculating interest rates used in the transfer. As a result, an agreement was reached, and the RRB will receive retroactively additional interest based on the new formula. This transfer of $350 million will take place in the June 1990 financial interchange. The RRB will also receive an annual increase of approximately $30 million in interest charges. Because of the large monetary effect to the RRB trust funds, we will continue reviews to ensure that financial interchange benefit calculations are being computed correctly.

Another significant recovery resulted from our review of the U.S. Treasury's annual adjustments from the RRB's tax receipts account to the RRB trust funds. OIG auditors found that numerous keypunch errors were made by Treasury, and the RRB did not have access to sufficient documentation to substantiate the year-end adjustments. Our reviews of adjustments for fiscal years 1985 through 1989 uncovered adjustment errors involving over $110 million. As a result of our efforts, these funds have now been credited to the RRB trust funds by the U.S. Treasury.

In FY 91, our major audit emphasis will be in those high risk areas that will significantly impact the RRB operations and its annuitants. We will continue to monitor trust fund adjustments and audit the investment practices of the RRB. We plan to expand our audit coverage of railroad employers -- an area with substantial monetary impact. Taxes imposed by the Railroad Retirement Tax Act on employers and employees remain the primary source of income for paying railroad retirement and survivor benefits. As a result, our audit plan includes continuing reviews of the nation's 18 largest railroads and further increasing efforts to identify fraud and abuse in the RRB programs. To date, we have reported on widespread non-compliance of payroll taxes and have identified a significant number of potential unemployment fraud cases.

We will study RRB's current policies in the debt collection area to identify any current weaknesses in their programs -- over $58 million were outstanding at the close of FY 89. The RRB continues to lose substantial funds because of collection system deficiencies.

In a joint effort with the RRB, Office of Investigations and the Department of Health and Human Services-OIG, the Office of Audit will continue its specialized reviews of the RRB's Medicare Part B carrier's payment system to identify system weaknesses that permit health care providers to defraud and abuse the program.

Our audit efforts must also address serious weaknesses in two RRB processing areas that have a significant negative impact on railroad beneficiaries: taxation programs and mass adjustment case backlogs. The RRB's tax programs have experienced major problems in producing accurate and timely tax statements for the beneficiaries. For example, during one month of 1989, the RRB's field offices received over 30,000 inquiries involving tax questions and problems. We will follow up on new operating procedures recently implemented to evaluate their effectiveness to ensure that beneficiaries are provided with correct and timely tax statements. The second processing area involves the enormous volume of cases that are currently backlogged, especially the mass adjustments of payments that require manual review. We plan to study these areas and suggest ways to alleviate their condition because of the harmful effect on the beneficiaries as well as their potential financial impact.

Finally, there is a need to assess the RRB's current internal control systems to ensure compliance with OMB Circular No. A-123 and other applicable regulations by reviewing the agency's own evaluation of its programs and reporting on the weaknesses uncovered. It is important to note that a number of serious deficiencies in high risk areas have been identified by RRB management, primarily due to management information obtained from my Office of Audit.

The additional staffing that we have requested will enable us to continue to accomplish our mandated audit responsibilities and to address those new areas of audit concern we have discussed.

With additional resources, we will form a new operating unit – the Office of Analysis and Inspections. This office will conduct short-term analyses and evaluations of RRB programs and policies. These studies will be initiated at the request of the OIG or RRB managers and will be completed within a relatively brief period of time. This unit will enable the OIG to present prompt solutions to problems identified by RRB management in those areas that cannot afford a lengthy audit or investigation. The work of this office will complement our current audit and investigative efforts by making reviews of a limited activity or specific area, and providing the OIG with greater coverage of agency operations. Staff personnel will review programs to detect indications of fraud, waste and abuse, and make referrals for further action to the Office of Audit or the Office of Investigations. We believe that the success of the Inspection unit in other OIG organizations justifies this needed addition to our operation.

In summary, the Office of Inspector General continues to achieve substantial results through the Offices of Audit and Investigations, and in close cooperation with senior RRB management and dedicated field personnel. There are sufficient systemic weaknesses in RRB programs that require an effective audit and investigative force. The OIG's emphasis will continue to be towards improving agency operations, combating fraud and providing timely and accurate benefits to the railroad beneficiaries. Much needs to be done, however, because we and the Board still have areas of concern which require vigorous coverage, but our level of coverage is still dictated by our present level of staff resources. Our increasing number of fraud cases also shows we are not yet able to provide a credible deterrent against fraud.

To address those concerns that I have briefly outlined, we have requested a budget which will be used to hire additional auditors, investigators and to open a third major IG component, namely an Office of Analysis and Inspections. Our responsibilities include the review of RRB programs that have an annual cash flow of over $23 billion. At the requested level of 119 FTEs, our dollar oversight will remain high at $193 million per staff member. We continue to have one of the best cost effective ratios in the IG community. With additional staffing, we will increase our ability to address management, investigative and audit concerns. It will also enable us to handle the ever increasing investigative caseload, presently at 2,044, that has a potential fraud value of approximately $15 million. In addition, we will continue to expand our audit coverage of major railroad employers and the Medicare program. With the establishment of the newly formed Office of Analysis and Inspections, we will initiate new studies to enhance RRB programs and operations.

Finally, I would like to alert Members of the Committee to the attachment I have provided to my testimony. The document is the OIG Cost Saver and Revenue Enhancement Guide that we developed as a reference tool for identifying areas for financial improvement at the RRB. Implementation of the recommendations in the Guide could result in $182.5 million in one-time savings and $23.1 million annually in recurring savings. The Guide is intended to be used by those who have a vital interest in improving the financing of the railroad retirement system. The Guide is updated every six months as the semiannual report to Congress is being prepared.

We need your continued support. The Administration recognizes the magnitude of the problem faced by the OIG at the RRB, and has approved our entire 1991 budget request. Since we also recognize the need for additional resources, we strongly support the Administration's recommendation and urge the Members of this Committee to do the same.

Mr. Chairman, this concludes my formal remarks. I will now be glad to answer any of your questions. Thank you.

NEW COMPUTER PURCHASE

Senator **Harkin**. Mr. Sekerak, you heard me question the Board about this new computer they are buying. Would it be under your purview to look at that to see if it is the capacity they need and the contracts, that kind of thing?

Mr. **Sekerak**. That was discussed. It is my understanding that the Inspector General's Office would be certifying that the studies were done, not looking at capacity and the actual needs analysis of the Board.

Senator **Harkin**. Could you look at it? Could you look at the whole thing? Do you have the expertise in your office to look at a new computer versus leasing, what kind of computer, how big a computer is needed so that we make sure we get the best size and best product that we need?

Mr. **Sekerak**. I would say we would not have the expertise.

Senator **Harkin**. You would not have the expertise?

Mr. **Sekerak**. No; we would not.

MEDICARE PAYMENTS

Senator **Harkin**. I understand that over $670 million in Medicare payments per year go out to railroad retirees and the disabled, but there has not been an audit of the Medicare program since the initiation of the Medicare contract between the carrier and the Board in 1968.

Is that so?

Mr. **Sekerak**. Presently, because of receiving a supplemental, four Medicare reviews are in process using expert health care consultants. We also established an investigative unit to handle Medicare fraud cases and also established an Office of Audit for the Medicare unit to do audit coverage of the Medicare program. So there are reviews ongoing, yes.

Senator **Harkin**. Are you working with the Social Security Administration to identify possible cases of fraud on these Medicare claims?

Mr. **Sekerak**. The Office of Audit accomplished a match with Social Security and from that match referred approximately 150 cases to the Office of Investigations. That involved over $1 million. The Office of Audit then turned that program over to the Board to continue matching on a quarterly basis. Heretofore, they were using the HCFA tapes versus Social Security tapes. Now they are going to try to incorporate both processes.

Senator **Harkin**. Mr. Sekerak, thank you very much for being here. Please give our regards to Mr. Doyle. I hope he gets better very soon.

Mr. **Sekerak**. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Harkin**. There will be some additional questions from the subcommittee and various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Office for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MEDICARE PAYMENTS

Question. Despite the fact that over $670 million in medicare payments a year to railroad retirees and the disabled, there has not been an audit of the medicare program since the initiation of the medicare contract between the carrier and the Board in 1968. Payments to practitioners and claims processing are highly vulnerable to abuse. Consequently, we provided an additional $150,000 in FY 1989 and 5 additional FTE's to increase the IG's oversight of the medicare program. How is that additional funding being used, and what kind of results are you getting?

Answer. Four medicare reviews are in process using expert health care consultants. The Office of Inspector General also established an investigative unit to handle medicare cases, and an Office of Audit medicare unit to cover the RRB medicare program.

Question. Are you working with the Social Security Administration to identify possible cases of fraud on medicare claims?

Answer. The Office of Inspector General is working closely with the Department of Health and Human Services, Office of Inspector General, Office of Investigations, in developing medicare fraud cases. An in-depth review of over 400 DHHS cases is presently ongoing. At this time, we have about 34 investigative matters being worked jointly with agents of DHHS-OIG.

Question. How many referrals for investigation of medicare claims have you received from Travelers Insurance Company?

Answer. Of our present medicare fraud case inventory of 53, a total of 12 cases were referred by The Travelers Insurance Company. Several other referrals were reviewed and filed for reference only as prosecutive guidelines were not met.

Question. What other actions are you anticipating in order to get a better handle on what is being paid out in medicare benefits?

Answer. The Office of Investigations working closely with the Office of Audit has met with Travelers' personnel in an effort to perfect the referral process. Joint investigative efforts have been set up with DHHS-OIG, OI, in California, Illinois, Florida and Colorado.

The present medicare reviews being conducted by the expert health care consultants are targeting problems in the areas of the Medicare secondary payer, utilization, timeliness and RRB medicare oversight.

INVESTIGATIONS/FRAUD

Question. I note that some other areas of priority are the continued identification and investigation of fraud and abuse in the retirement and disability programs. Would you outline what form those investigations will take and what type of problems you expect to uncover?

Answer. The SSA Death Match will continue to yield investigative matters. Over 150 cases, with a fraud potential of over $1,500,000, were referred to the Office of Investigations by the Office of Audit during the past 12 months. In the disability area, additional computer match contracts are planned with several states. Working closely with RRB officials, this office expects these two areas to continue to grow in case volume, complexity and monetary fraud potential. This office is also working closely with the RRB in referring matters for legal process under the Program Fraud Civil Remedies Act.

Question. What prosecutions have resulted from your investigations, and what have been the results of those prosecutions?

Answer. The information you requested is provided below.

	Convictions	Indictments	Fines, Savings, and Recoveries
FY 86	1	4	$ 2,500
FY 87	10	14	$ 700,000
FY 88	55	37	$ 800,000
FY 89	69	45	$ 1,567,000
FY 90 (first 5 months)	33	29	$ 590,000

Our present case inventory is 2,088, and the average number assigned per special agent is about 130 cases.

STAFFING INCREASES

Question. Your FY 1991 budget requests an increase of 45 FTE's. That is a substantial increase in employment. How will these additional FTE's be used?

Answer. The additional 45 FTE's will be used as follows: 6 are designated to be used in the newly created Office of Analysis and Inspections, 2 will be used in the administrative section, and the remaining 37 will be distributed in the Offices of Investigations and Audit.

The Office of Investigations will form an additional investigative unit in order to address the rising caseload in the areas of disability, retirement and general crimes. The Office of Audit will expand its medicare audit unit, establish a payroll tax compliance unit, and increase its oversight efforts in the computer support and trust fund audit areas.

These additional resources will allow this office to attempt to more closely address potential fraud problems, conduct railroad tax audits, review RRB outstanding receivables, adjustment backlogs, and help to ensure the solvency of the RRB trust funds. From experience over the last four years, we have seen a dramatic increase in audit payback as audit coverage increases; e.g., as we have conducted more railroad and trust fund audits, we have returned over $400 million to the trust funds. In the investigative area, we have returned millions in fines, savings and recoveries.

NONCOMPLIANCE OF PAYROLL TAXES BY RAIL EMPLOYERS

Question. Mr. Doyle, last year, you indicated that there was a need to look into the payroll taxes paid by employers to ensure that these taxes were being paid and properly credited. Could you update us on where you stand on this initiative?

Answer. To date, we have completed 11 payroll audits, including 2 "Class One " railroads. These audits have indicated areas of non-compliance resulting in additional taxes of over $2.6 million. Our audits have also identified major legislative and administrative issues that, when implemented, will result in additional revenues of over $5.8 million.

The OIG will continue to emphasize audits of railroad employers. With additional staffing, we plan to expand our payroll audits in FY 1991, and to perform reviews relating to coverage issues of those employers who are attempting to circumvent paying railroad retirement taxes.

REVIEW OF RRB SYSTEMIC WEAKNESSES

Question. Are you doing any reviews to identify systemic weaknesses in RRB programs and making recommendations on corrective actions needed?

Answer. The Office of Investigations will continue to note and report systemic weaknesses as they relate to its investigative efforts. Such reports have led to the streamlining of forms, disability computer matching programs and RRB case predication initiatives. The Office of Audit will also continue to place emphasis on improving the efficiency of RRB operations by conducting audits of a wide range of RRB programs. In addition, a formal follow-up procedure is in place to ensure that corrective actions contained in audit recommendations are properly implemented by RRB management in a timely manner.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF FORD B. FORD, CHAIRMAN

ACCOMPANIED BY:

RICHARD V. BACKLEY, FORMER CHAIRMAN AND MEMBER
L. JOSEPH FERRARA, ESQ., GENERAL COUNSEL
RICHARD BAKER, EXECUTIVE DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator Harkin. Next is the Federal Mine Safety and Health Review Commission. They are charged with the responsibility of reviewing the enforcement activities of the Secretary of Labor and protecting miners against unlawful discrimination.

The fiscal year request of the Commission is $4.292 million, an increase of $262,000 and an increase of two FTE's.

Testifying today is the Chairman of the Commission, Ford B. Ford. We are pleased to have you with us today. If you would summarize your statement, we would appreciate it, and your full statement will be made a part of the record.

Mr. Ford. Thank you, Mr. Chairman. I would like to introduce my colleagues. To my immediate right is Richard V. Backley, former Chairman and member since the inception of the Commission in 1978, and to his right is L. Joseph Ferrara, our General Counsel. To my immediate left is Richard Baker, who is the Executive Director.

If I may, I will just capsulize my comments.

Senator Harkin. Surely.

SUMMARY STATEMENT

Mr. Ford. It is a pleasure to appear before you and the committee and to answer questions about the Federal Mine Safety and Health Review Commission and its fiscal year 1991 budget request totaling $4,292,000.

The Federal Mine Safety and Health Review Commission exists to objectively and neutrally adjudicate, through administrative trial and appellate review, legal disputes arising under the Federal Mine Safety and Health Amendments Act of 1977 among or between mine operators, the Department of Labor, and miners.

Administrative trial is conducted by a corps of administrative law judges. The five-member Commission provides administrative appellate review. Appeals from final decisions of the Commission are to the U.S. Courts of Appeal.

In the activity of administrative law judge determinations, we expect to receive 1,960 new cases and dispose of 1,975 cases, leaving a case inventory at the end of fiscal year 1991 of 1,274. At the Commission review level, we expect to receive 67 new cases for formal review and also dispose of 67 cases, leaving an ending inventory of 26 cases for fiscal year 1991.

Over the past several years we have seen a steady increase in our workload of new cases. While the disposition of cases has also increased, our inventory of unresolved cases has continued to grow within the administrative law judge area. In order to reduce these inventories, we propose during fiscal year 1990 to fill four of our existing vacant positions, including an administrative law judge.

PREPARED STATEMENT

The fiscal year 1991 request of $4,292,000 is an increase of $262,000 which is needed mainly to support this added staff and to cover general pay increases for the Commission's employees.

Thank you for the opportunity to present this statement.

[The statement follows:]

STATEMENT OF FORD B. FORD

Mr. Chairman and members of the committee, it is a pleasure to again appear before the Committee in support of the 1991 fiscal year budget of the Federal Mine Safety and Health Review Commission totaling $4,292,000.

The Federal Mine Safety and Health Review Commission exists to objectively and neutrally adjudicate through administrative trial and appellate review legal disputes arising under the Federal Mine Safety and Health Amendments Act of 1977 among or between mine operators, the Department of Labor, and miners.

This five-member Commission provides administrative appellate review. Its functions include reviewing all administrative law judge decisions, ruling on petitions for discretionary review, directing review sua sponte for cases that may be contrary to law or policy or that may present novel questions of policy, and issuing decisions that affirm, modify or vacate administrative law judge decisions directed for review. If not considered for formal review, an administrative law judge decision becomes a final non-precedential order of the Commission. Appeals from final decisions of the Commission are to the U.S. Courts of Appeals.

In the activity of Administrative Law Judge Determinations, we expect to receive 1,960 new cases and dispose of 1,975 cases, leaving a case inventory at the end of fiscal year 1991 of 1,274. In fiscal year 1990, we anticipate the number of administrative law judge cases to total 1,960 and expected dispositions to total 1,851, leaving a case inventory of 1,289 at the end of the year.

During fiscal year 1989, 1,889 new cases were received and 1,797 cases were decided. Of these dispositions, 856 were disposed of prior to hearing by settlement approved by the administrative law judge, 635 were disposed of on motion or by stipulated record, and 306 were fully tried prior to decision. At the close of the year the pending caseload before the judges was 1,180.

At the Commission Review Level we expect to receive 67 new cases for formal review and also dispose of 67 cases leaving an ending inventory of 26 cases for fiscal year 1991. In addition, the Commission will continue to review administrative law judge decisions. In fiscal year 1990, we expect to both receive and dispose of 63 cases.

In fiscal year 1989 the Commission received 52 new cases and issued 47 substantive decisions and denied 16 petitions on review for a total case disposition of 63. The average age of the 47 substantive decisions in fiscal year 1989 was 9.4 months.

The Commission attempts to hold as many meetings as possible in open session and of the 33 meetings held in fiscal year 1989, 18 were open, 4 were closed and 11 were partially closed and partially open.

Over the past several years we have seen a steady increase in our workload of new cases. While the disposition of cases has also increased our inventory of unresolved cases has continued to grow. In order to reduce these inventories we propose during fiscal year 1990 to fill three of our existing vacant positions including an administrative law judge.

The fiscal year 1991 request of $4,292,000 is an increase of $262,000 which is needed mainly to support this added staff and to cover general pay increases for the Commission's employees.

Thank you for the opportunity to present this statement, Mr. Chairman. I would be pleased to respond to questions from you and members of the Committee.

CASE AGE

Senator **Harkin**. Thank you very much, Mr. Ford.

Mr. Ford, one of the questions in last year's record dealt with the average age of cases pending on the hearing docket. I understand that from the date of assignment, the administrative law judge issues a finding in 127 days.

I would like to know how much time elapses before the case is assigned and if this varies.

Mr. **Ford**. It varies, but it is generally between 60 and 75 days from receipt to assignment to permit the parties to perfect the case.

Senator **Harkin**. 60 to 75 days. Then you add that on to the 127?

Mr. **Ford**. From assignment to the ALJ to final disposition can, of course, be a shorter period of time but that is the average.

Senator **Harkin**. Is there any chance of shortening that 60 to 75 days of assignment?

Mr. **Backley**. That is statutory, Mr. Chairman, in that it conforms to requirements. It is built into the statute. Commission rules of procedure allow the parties specific time periods to respond and cross-file prior to assignment to an ALJ.

Senator **Harkin**. So you cannot do it in less than 60 days?

Mr. **Backley**. I think you would have some problems if we cut it short.

Senator **Harkin**. Is there a maximum or just a minimum?

Mr. **Backley**. No; just a minimum.

Senator **Harkin**. OK, thank you all very much. I appreciate your coming.

Mr. **Backley**. Thank you, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Harkin**. There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ADMINISTRATIVE LAW JUDGE CASELOAD

QUESTION: Your justification indicates that the Commission's Administrative Law judges continue to gain efficiency in deciding appealed cases. The average number of assigned case dispositions per judge has increased from 131 in FY 1988 to 145 in FY 1991. The Administrative Law Judge's case disposition productivity has increased substantially despite an increased workload. Has the increased workload and productivity affected the timeliness of the dispositions?

ANSWER: Yes, it has. For example, settlement approvals increased 47% in FY 1989 while the time from assignment to approval by a judge increased 18%. Decisions requiring evidentiary hearings increased 30% during the same period but the judge's decision time increased only 4.7%. Had it not been for productivity increases, these settlement and decision time periods would have increased substantially more.

During FY 1988 and FY 1989 the Commission's inventory of undecided cases increased from 1,032 to 1,180 and disposition time frames have increased. As a result, the Commission has requested full funding in its FY 1991 budget for an additional administrative law judge.

QUESTION: The number of dispositions requiring evidentiary hearings or settlement approvals has increased 57% since 1988. Please explain why more cases are pursued through the settlement and the evidentiary hearing process and why the number of settlement approvals are increasing?

ANSWER: The Commission has no control over the filing of cases and while a judge may assist in identifying and narrowing the issues of differences between the parties, it is the parties themselves that determine the ultimate case disposition. In general, there appears to be more willingness to contest the Department of Labor's enforcement actions and to pursue disputed issues in a neutral legal setting. We suggest that the following factors may affect the adjudicatory process:

- the number of citations assessed have increased from 131,453 in 1987 to 156,729 in 1989,
- the Commission is receiving more cases involving special assessments,
- the value of Commission cases is increasing; at the beginning of FY 1988 the average value of a case was $332; at the end of FY 1989 it was $460, and
- new mining technology presents new and complex questions which result in longer evidentiary hearings.

QUESTION: In last year's hearing the estimated number of new administrative law judge cases for FY 1990 was 1,860 cases. However, the Commission now anticipates 1,960 cases in FY 1990 and also in FY 1991. What contributed to the increase in the estimated number of cases? What is the current backlog of cases for the administrative law judges and what is the projected backlog for FY 1991?

ANSWER: The Commission, in developing its workload estimates, relies heavily on the enforcement projections of the Department of Labor's Mine Safety and Health Administration and past year's actual data. Historical trends which suggest an increasing workload are as follows:

*Citations assessed have increased each year since 1983.

*Citations per regular inspection have increased each year since 1986.

*Commission cases have increased each year since 1983 with the exception of 1987.

In 1989 the Commission estimated 1,824 new cases and received 1,889. Given these increasingly historical trends and the FY 1989 actual data, the Commission believed that incoming cases would continue to increase and determined that an estimate of 1,960 cases would be reasonable.

The inventory of undecided cases as of the end of February 1990 is 1,065. Through February 1990 the Commission has received 623 cases and disposed of 738. We believe that the reduced number of incoming cases is attributable to the prolonged labor unrest in Southwest Virginia and related sympathy actions in Pennsylvania and West Virginia which have just recently been settled. We feel incoming cases will increase substantially during the last half of FY 1990.

The FY 1991 budget reflects a case inventory of 1,289 at the beginning of the fiscal year and 1,274 at the end of the year.

CONFIRMATION OF COMMISSIONERS

QUESTION: During FY 1989, the Commission operated with a full complement of 5 Commissioners. During the current year the term appointment of two of the five Commission members will expire on August 30, 1990. We understand that your term, Chairman Ford, and Commissioner Lastowka's term will expire this year. At this time do you foresee any obstacles to the confirmation of your positions?

ANSWER: In the past the Commission has not encountered difficulties in filling its Commissioner positions. The past six appointments were confirmed by the Senate, three after nomination hearings and three without a hearing. Based on its approval history, the Commission does not foresee any obstacles to the confirmation of its Commissioner positions.

QUESTION: If the Commission only has three Commissioners in FY 1991 what will be the effect on the workload and budget of the agency?

ANSWER: Three Commissioners acting as a panel can have all the powers of the Commission according to statute. There are, however, certain drawbacks to a three-member Commission. Flexibility is lost which could impact on the decisional process. The absence of one Commissioner, for whatever reason, would render the Commission inoperative and thus delay the determination of pending issues.

Another consideration is the need for the affirmative vote of two Commissioners present and voting to grant a petition for discretionary review. The petitioning parties chances for review would thus be greatly diminished with a reduced body of Commissioners. The Commission operated in the past with only three Commissioners for a 14-month period. Experience gained during this period confirmed the benefits of having a five-member Commission.

Funding allocated for these positions but unused would be returned to the U. S. Treasury or with the Committee's concurrence applied to other Commission programs.

ADMINISTRATIVE LAW JUDGE CASELOAD

QUESTION: One of the questions in last year's record dealt with the average age of cases pending on the hearing docket. The age of a case is calculated from the date of the assignment. We would like to ask a few questions about the assignment process. How much time elapses before a case is assigned?

ANSWER: For FY 1989 the average length of time from receipt of assignment for all cases was 76 days; for penalty cases the time period was 90 days; for contest cases it was a much shorter period - 27 days.

QUESTION: Does the time vary?

ANSWER: Yes, the time from receipt of a case to its assignments to an Administrative Law Judge does vary by the type of case and also by the promptness of the parties as explained in the subsequent answer.

QUESTION: Is there a way to assign cases more quickly thus resulting in a reduced decision time?

ANSWER: Although a case could be immediately assigned to an administrative law judge, the Commission does not believe this would necessarily result in a reduced decision time. In fact, in our opinion, the opposite would occur as discussed below.

The Commission's Rules, adopted pursuant to the Mine Act and thus having the effect of law, affords the parties certain procedural rights and establishments time frames within which they must act. For example, the Rules give a party a specific number of days to answer an initial complaint. In contest cases it is 15 days; discrimination cases 30 days; and in penalty cases the Solicitor of Labor has 45 days to file the penalty petition and the operator then has 30 days to respond. In some instances where good cause is shown, extensions of time are granted.

Under our procedures the Chief Administrative Law Judge does not assign a case until issue is joined by the filing of an answer or other responsive pleadings. In our view this is the most efficient manner of operating. Jurisdictional and procedural issues apparent from the pleadings are handled by the Chief Administrative Law Judge while individual Administrative Law Judges are assigned cases that are ripe for adjudication on the merits and they therefore can devote their time and efforts to substantive matters. Immediate assignment of cases to individual Administrative Law Judges would lessen the time from initial filing to assignment, but would increase the overall time for decision because each Judge would be spending time determining preliminary matters such as whether orders of extension, show cause or default should be issued.

In cases where a party fails to answer, the chief administrative law judge issues an order to show cause why a default should not be entered. The time allowed for response to the show cause order is 30 days. If no response is made, a default judgment is then entered.

The Commission has found the above procedures to be both expedient and economical. Further, these procedures, including time frames, are in line with Federal courts and have proven successful insofar as the proper utilization of resources are concerned.

COMMISSION STAFFING

QUESTION: In your FY 1991 budget submission the Commission requested 2 FTE over the FY 1990 level to hire a new administrative law judge and secretary. With the hiring of an additional administrative law judge the average number of assigned case dispositions per judge will decrease slightly. How will these additional FTE contribute to the overall effectiveness and efficiency of the Commission?

ANSWER: The Commission believes that an average of 150 case dispositions per judge is an attainable goal. However, a newly appointed judge inexperienced with the complex nature of mining and of the Mine Act cannot be expected to attain high production levels during the first year. Also, it takes time for an individual to perfect the skills necessary to become a fully effective judge in these adversarial proceedings. The slight decrease in the average number of assigned case dispositions per judge is directly attributable to these circumstances. Additional case dispositions are anticipated with experience.

During FY 1988 the Commission's corps of 10 experienced judges averaged 131 assigned case dispositions. In FY 1989 productivity increases were achieved and an average of 144 cases per judge was attained. In FY 1990 an average of 147 assigned cases is projected.

The Commission plans to hire an additional judge in September 1990 and anticipates that judge will dispose of 95 cases during his first year with the Commission. The ten experienced judges are budgeted to dispose of 1,500 cases for a total disposition after assignment of 1,595 cases or an average of 145 cases per judge.

EXECUTIVE PAY RAISE

QUESTION: The Ethics Reform Act of 1989 specifies the terms of the FY 1991 Executive Pay Raise. The Act states that for Executive positions: ". . . the rate of basic pay for positions in the Executive Schedule shall be increased in the amount of 25 percent of their respective rates . . . rounded to the nearest multiple of $100 . . .". Have funds for this pay raise been included in this budget?

ANSWER: No funding has been included in the Commission's FY 1991 budget request for Executive Pay Increases authorized pursuant to the Ethics Reform Act of 1989.

QUESTION: If not, how many Commission FTE will be affected by this pay raise?

ANSWER: The Commission believes that ultimately 18 positions or 34% of its FTE will be affected by this pay raise. The Commission has five Commissioners who are paid under the Executive Schedule. In addition, there are two Senior Executive Service positions which have been affected by Presidential action. It has not yet been determined what effect this increase will have on salaries on General Schedule positions such as our Administrative Law Judges who are paid at the GS-16 rate, many of whom have had their salaries limited by ceilings for several years.

QUESTION: If the Commission absorbs the amount of this pay raise what constraints will be imposed on the Commission?

ANSWER: The Commission believes that absorption of these increases will have severe consequences on the Agency both in case dispositions and in staffing. It is believed that these increases could be in the $250-300,000 range and could not be absorbed without major reductions in travel, court reporting services and personnel costs.

FMSHRC - FY 1986

1. Salaries and Expenses Appropriation................3,321

2. Funds Returned to Treasury......................... 330

3. Equipment Expenditures............................. 12

4.	Total	4th Qtr.	Percent	Items Over $3,000
Personnel Compensation	2,120	630	30	4th Qtr. Salary Costs
Personnel Benefits	295	125	42	CSRS Retirement and benefits $68K Employee Relo. Costs (2) $57K
Benefits to Former Personnel	-0-	-0-	-0-	
Travel	68	26	38	ALJ Travel to conduct hearings $23K; Commission Travel $3K
Transportation of Things	3	3	100	Shipment of Household Goods $3K
Rental Payments to GSA	363	94	26	4th Quarter Payment for Rent.
Communications and Utilities	140	20	14	4th Quarter Phone Svc. $11K 4th Quarter FTS Svc. $5K 4th Quarter Postal Costs $4K
Printing & Reproduction	32	-0-	-0-	
Other Services	234	76	32	Court Reporting Services $26K Indexing of Decisions $9K ADP System Modifications $32K Payment to GSA for Personnel Services $7K
Supplies	54	16	30	Office Supplies $8K Legal Reference Materials $7K
Equipment	12	8	67	ADP Equipment $7K
Total Obligations	3,321	998	30	

FMSHRC - FY 1987

1. Salaries and Expenses Appropriation................3,542

2. Funds Returned to Treasury......................... 243

3. Equipment Expenditures............................. 13

4.	Total	4th Qtr.	Percent	Items Over $3,000
Personnel Compensation	2,276	570	25	4th Qtr. Salary Costs
Personnel Benefits	320	96	30	CSRS Retirement and benefits $72K FERS Retirement $24K
Benefits to Former Personnel	-0-	-0-	-0-	
Travel	78	21	27	ALJ Travel to conduct hearings $19K.
Transportation of Things	-0-	-0-	-0-	
Rental Payments to GSA	418	105	25	4th Quarter Payment for Rent.
Communications and Utilities	125	10	8	4th Quarter Phone Svc. $8K 4th Quarter FTS Svc. $5K
Printing & Reproduction	33	4	12	Printing of letterhead stationery and envelopes
Other Services	227	42	19	ADP Systems Modifications $15K Indexing of Decisions $8K Court Reporting Services $15K
Supplies	52	-0-	-0-	
Equipment	13	7	54	ADP Equipment $7K
Total Obligations	3,542	855	24	

FMSHRC - FY 1988

1. Salaries and Expenses Appropriation...............3,797
2. Funds Returned to Treasury........................ 109
3. Equipment Expenditures............................ 21

4.	Total	4th Qtr.	Percent	Items Over $3,000
Personnel Compensation	2,372	502	21	4th Qtr. Salary Costs
Personnel Benefits	351	72	21	CSRS Retirement and benefits $45K FERS Retirement $27
Benefits to Former Personnel	-0-	-0-	-0-	
Travel	78	25	32	ALJ Travel to conduct hearings $21K; Commission Travel $4K
Transportation of Things	1	-0-	-0-	
Rental Payments to GSA	493	124	25	4th Quarter Payment for Rent.
Communications and Utilities	145	17	12	4th Quarter Phone Svc. $9k 4th Quarter FTS Svc. $7K
Printing & Reproduction	31	-0-	-0-	
Other Services	251	85	34	Space Alterations/Relocation/Denver $5K; Court Reporting Serv. $20K; ADP Systems Modification $21K; Telephone Systems (all offices) $28K
Supplies	54	9	17	Office Supplies $8K
Equipment	21	8	38	ADP Equipment $5K Office Equipment $3K
Total Obligations	3,797	842	22	

FMSHRC - FY 1989

1. Salaries and Expenses Appropriation...............3,936
2. Funds Returned to Treasury........................ 94
3. Equipment Expenditures............................ 16

4.	Total	4th Qtr.	Percent	Items Over $3,000
Personnel Compensation	2,441	605	25	4th Qtr. Salary Costs
Personnel Benefits	378	90	24	CSRS Retirement and benefits $61K FERS Retirement $28K
Benefits to Former Personnel	16	16	100	Unemployment benefits for former employees who transferred to another agency and then left Federal Service
Travel	94	23	24	ALJ Travel to conduct hearings.
Transportation of Things	1	-0-	-0-	
Rental Payments to GSA	500	126	25	4th Quarter Payment for Rent.
Communications and Utilities	139	19	14	4th Quarter Phone Svc. $8K 4th Quarter FTS Svc. $11K
Printing & Reproduction	31	-0-	-0-	
Other Services	262	29	11	ADP Systems Modifications $9K Indexing of Decisions $16K
Supplies	58	13	22	Legal Reference Materials $4K Office Supplies $9K
Equipment	16	10	63	ADP Equipment 8K
Total Obligations	3,936	931	24	

NATIONAL LABOR RELATIONS BOARD

STATEMENT OF JAMES M. STEPHENS, CHAIRMAN

ACCOMPANIED BY:

JERRY M. HUNTER, ESQ., GENERAL COUNSEL
LEE D. VINCENT, COMPTROLLER
JOSEPH E. MOORE, DEPUTY EXECUTIVE SECRETARY
JOSEPH E. DeSIO, ASSOCIATE GENERAL COUNSEL
D. RANDALL FRYE, ASSOCIATE GENERAL COUNSEL
HARDING DARDEN, JR., BUDGET OFFICER
ERNEST RUSSELL, DIRECTOR OF ADMINISTRATION
MELVIN J. WELLES, CHIEF ADMINISTRATIVE LAW JUDGE

BUDGET REQUEST

Senator HARKIN. Next I have NLRB and OSHA. If the NLRB would come up.

I am going to recess the committee for about 3 minutes, and I will be right back.

[A brief recess was taken.]

Senator HARKIN. Thank you very much. The subcommittee will resume its sitting.

The National Labor Relations Board has the responsibility of investigating and issuing decisions on complaints made by employees or employers on union organizations. The Board has the authority to conduct elections by secret ballot.

Their request this year is for $151,103,000, an increase of $10,992,000 over last year's level.

We are pleased to have with us Mr. James Stephens, Chairman of the Board.

Mr. Stephens, your full statement will be made part of the record. Please introduce those with you. If you would summarize, we would sure appreciate it.

INTRODUCTION OF ASSOCIATES

Mr. STEPHENS. Thank you very much, Mr. Chairman. Let me start by introducing the Board's new General Counsel, Jerry Hunter, who is two places over to my left. Mr. Hunter was nominated last summer by President Bush and confirmed by the Senate in November.

Between us is our Comptroller, Lee Vincent; and to my immediate right is Mr. Joe Moore, who is our Deputy Executive Secretary. I am also accompanied by Mr. Joe DeSio in the front row of seats here on the left. Next to him on his right is Randy Frye. He is the Associate General Counsel. Next to him is Harding Darden, our Budget Officer. Then we have Ernest Russell, our Director of Administration, and Judge Mel Welles, our Chief Administrative Law Judge.

Senator HARKIN. It is good to have you all here. We appreciate your being here.

HIGHLIGHTS

Mr. STEPHENS. As the chairman indicated, the Board has submitted its justification and hearing testimony for the record; therefore, I will limit my remarks today to just a few highlights.

As the chairman indicated, for fiscal year 1991 we are requesting an appropriation of $151.1 million. This compares to the 1991 appropriation of $140 million, approximately a $10.1 million increase.

This appropriation request was developed through a close and sophisticated analysis of factors which are outlined partly in my testimony and that of General Counsel Hunter. The principal factor is the projected intake of cases received by the Board's 50-plus regional and resident offices throughout the country. As our budget submissions indicate, the Board is projecting an intake in fiscal year 1991 of approximately 32,000 unfair labor practice cases and 9,200 representation cases, for a total of 41,700 cases. This would represent an increase of about 2 percent over the combined estimates of 40,800 cases for fiscal year 1990.

I will let General Counsel Hunter speak to the Board's most recent experience in this fiscal year 1990, which may foreshadow what is to come in fiscal year 1991.

A matter that I would like to highlight is the fact that the Board has for the fourth year in a row succeeded in lowering its backlog of undecided cases. The backlog reached its all-time high of 1,628 unfair labor practice and representation cases in February 1984, and at the end of January 1990 the backlog has declined to 526 cases, a drop of 1,102 cases or 67.7 percent.

PREPARED STATEMENT

I would add also that in deciding the 750 cases in fiscal year 1989, a significant number represented some of the oldest and more difficult of the pending cases. In contrast to July 1987 when approximately 300 unfair labor practice cases had been awaiting decision for over 2 years, there were only 42 such cases at the end of fiscal year 1989. So I am very proud, sir, to have served on the Board during this time when I think we have made substantial progress on the Board side of reducing our case backlog and getting our oldest cases out.

That summarizes what I think are the significant highlights of my testimony, and I will yield at this point to the General Counsel.

[The statement follows:]

STATEMENT OF JAMES M. STEPHENS

Mr. Chairman and distinguished Members of the Subcommittee:

I welcome this opportunity to appear before you as Chairman of the National Labor Relations Board to discuss the Agency's budget request for Fiscal Year 1991. I would like to welcome and introduce our new General Counsel Jerry M. Hunter who is making his first appearance before this Subcommittee. Also with us today to support our FY 1991 budget request is Joseph Moore, the Board's Deputy Executive Secretary, Melvin Welles, our Chief, Administrative Law Judge, D. Randall Frye, Associate General Counsel, Joseph DeSio, Associate General Counsel, Ernest Russell, Director of Administration and Lee Vincent, Comptroller. In accordance with normal procedure, the Agency has already submitted to you a detailed Fiscal Year 1991 Justification. In my testimony today I would like to touch briefly on some of the highlights of the Justification statement and make a few additional comments as well.

The Fiscal Year 1991 budget now before you requests an appropriation of $151,103,000 compared to the 1990 appropriation of $140,111,000.

The Budget request before you for 1991 is the product of an analysis of the NLRB's best current estimate of: the number of cases that the Agency will receive in 1991; how these cases will be resolved (that is, whether by settlement, dismissal, withdrawal, trial, etc.); the number of staff-years of employment needed, based on targeted rates of productivity; and, finally, the direct costs and support costs required to handle the anticipated caseload.

The Budget request presented to you today projects that the NLRB's case intake in 1991 will increase by about

2.0 percent, while staff will increase by about 1.6 percent. Our budget request embodies our fundamental objective of responding appropriately to every case on our docket in each year. We expect to handle the increase in case intake, with a sightly higher staff and handle our cases on a timely basis and show higher productivity rates throughout the casehandling pipeline.

The total 1991 cost increase from 1990 is $10,992,000. The increased funding would meet normal operating expense requirements and employment expenses that are not completely offset by our expected productivity achievement.

Directly under the responsibility of the Chairman and the Board are the Division of Administrative Law Judges and the staffs of the Board Members. I would like to briefly address these two areas at this time. The General Counsel has statutory responsibility for the investigation and prosecution of cases. He will be addressing these concerns separately.

ADMINISTRATIVE LAW JUDGES

In 1989 our Administrative Law Judges closed 639 hearings, issued 629 decisions and obtained 613 settlements, 330 in person and another 283 by means of conference calls. A significant factor in this achievement is the emphasis within the Division of Administrative Law Judges, and in the operations under the responsibility of the General Counsel, on settling cases whenever possible. This settlement emphasis is critical, not only because settlements eventually save the Agency a great deal in litigation costs, but also because the parties themselves avoid the delays and cost inherent in the formal trial process and subsequent consideration by the Board and the Courts of Appeals. The cost effects of fluctuations in the settlement rate, of course, do not all occur in the same fiscal year, but depend on when the cases would move through subsequent stages of disposition. Since FY 1987 the NLRB has loaned its Administrative Law Judges to other agencies on a reimbursable basis. We estimate that in FY 1990 these services will be provided to the Comptroller of the Currency, FDIC, Department of Education, Department of Interior, and Department of Justice as well as the Social Security Administration. The NLRB remains the primary source of judges when any agency requests OPM for a loan. However, with the attrition at our Judge Corp and the projected increased intake it is not certain that this program can continue in FY 1991.

MEMBERS' STAFFS

Under present Budget estimates the Board Members will be faced with the task of deciding 671 contested unfair labor practice cases in 1990 and 691 in 1991. In 1989, the Board decided 750 unfair labor practice cases and 288 contested representation cases. Present estimates call for the Board to decide 322 contested representation cases in 1990 and 344 in 1991.

The Board has for the fourth year in a row succeeded in lowering its backlog of undecided cases. The backlog reached its all time high of 1,628 unfair labor practice and representation cases in February, 1984. At the end of January 1990 the backlog had declined to 526 cases, a drop of 1,102 cases or 67.7 percent. We have achieved this reduction without increasing the number of staff attorneys assigned to each Board Member and despite various funding reductions mandated by deficit reduction goals. The budget for 1991 anticipates that the Board will continue to reduce the number of cases awaiting its decision.

I should also note that, in addition to numerous initial decisions in contested election cases, the Board also rules on other appeals and request for review of decisions by the Regional Directors. In these types of cases, our budget also provides for keeping current despite an increasing workload.

CONCLUSION

It is my firm belief that the process afforded by the NLRB to resolve conflict is an essential contribution to an efficient United States economy. It is my intention to assure that the Agency will do all that is possible to resolve the labor disputes within its jurisdiction in a timely, professional manner. I offer you my further commitment to assuring that the NLRB's mission is carried out expeditiously and in the most cost-effective manner.

At this time I would like to offer you the NLRB's new General Counsel, Jerry M. Hunter and an opportunity for him to make any comments he wishes.

STATEMENT OF JERRY M. HUNTER

Mr. HUNTER. Thank you, Mr. Chairman.

Senator Harkin, I have presented my formal statement, and I would ask that it be made part of the record. As Chairman Stephens has done, I will give a brief summary of that prepared testimony.

As Chairman Stephens said, our 1991 request is for $151,103,000, which we believe will be used to process the equivalent number of cases which we have projected will be received.

The General Counsel has the statutory authority to investigate unfair labor practice charges, issue complaints, and prosecute those charges before the Board. Additionally, the General Counsel has the supervisory authority over field operations which comprise two-thirds of the total agency staff.

All of the cases which the Board ultimately rules on are received in our regional offices, and the charging parties come to us on a voluntary basis to file these charges.

As part of our case handling efforts, we emphasize the screening of clearly nonmeritorious cases and emphasize our settlement programs in order to handle cases on the most efficient and effective basis.

The General Counsel in this budget, as does the total agency, remains committed to the high quality case handling standards, increased productivity, and the effective remedial action in agency proceedings.

I would like to point out that through the first 4 months of fiscal year 1990 we have experienced a 12-percent increase in unfair labor practice charges filed over the same period of a year ago. We continue to exercise tight control over our expenditures to ensure effective use of the agency resources.

PREPARED STATEMENT

In addition to the increase in the unfair labor practice area, we expect an increase of representation cases to be filed with the agency.

I would like to thank the chairman and the committee for the opportunity to appear before you today in support of the NLRB fiscal year 1991 budget request, and I along with Chairman Stephens stand ready to answer any questions which you may have.

[The statement follows:]

STATEMENT OF JERRY M. HUNTER

Mr. Chairman and distinguished Members of the Subcommittee: It is my pleasure to appear before you as General Counsel of the National Labor Relations Board to discuss this Agency's budget request for Fiscal Year 1991.

The Budget request before you for 1991 is the product of an analysis of the NLRB's best current estimate of the total number of cases the Agency Will receive in 1991; the pattern of disposition of those cases (that is disposed by either withdrawal, dismissal, settlement, or hearing); the employment required to process these cases based upon targeted rates of productivity; and the direct and indirect costs required to support the casehandling operations.

The Fiscal Year 1991 budget now before you requests $151,103,000, an increase of $10,992,000 over the 1990 total funding of $140,111,000. Of the increase $9,185,000 will be for mandated increases, primarily in payroll and benefits and space rent. The NLRB's 1991 request will support all normal Agency casehandling operations. The budget estimates the Agency will process, in 1991, 32,596 unfair labor practice cases and 9,231 representation petitions: a total case increase of about 2.4 percent over 1990. The total 1991 staff request for the Agency is for 2,220 FTE.

As part of the normal budget process, the Agency has already submitted a detailed "Justification of Estimates for Fiscal Year 1991". I would like to take this opportunity to review in greater detail the responsibilities of the office of the General Counsel, highlight our accomplishments in Fiscal Year 1989, and talk about the outlook for Fiscal Years 1990 and 1991.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and legal assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority, on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe..."

As a result of this statutory authority, the General Counsel supervises the Agency's field establishment of thirty-three regional offices, which comprise about two-thirds of the total staff, as well as headquarters staffs of the Division of Advice, Enforcement Litigation and Division of Administration. It is the Regional Offices that receive unfair labor practice charges, investigate them, determine merit and then, as to those cases deemed meritorious, settle or prosecute them. Under authority delegated by the Board, the Regional Directors also receive and process representation petitions, determine appropriate bargaining units for employee representation, conduct elections, resolve allegations of objectionable election conduct and certify election results. Additionally, the General Counsel pursues enforcement of Board decisions by litigation in the U. S. Circuit Courts of Appeals and the Supreme Court.

The Agency has little control over its case intake. It must respond to all inquiries concerning possible violations of the National Labor Relations Act. When an unfair labor practice charge is filed in one of the Agency's 33 regional offices, 2 sub-regional offices or 17 resident offices, the charge begins to move through what can be described as a casehandling "pipeline". The newly filed charge is first investigated by a Board Agent. Non-meritorious cases are withdrawn or dismissed. If the case is found to be meritorious, the parties are encouraged to settle without further action. Absent settlement, an unfair labor practice complaint is issued and a hearing held before an Administrative Law Judge. Following the hearing and the Judge's decision, there may be further appeals to the Board and the Courts of Appeals. After enforcement of a Board order, we must obtain compliance with that order, be it backpay, return of illegal fines, reinstatement to jobs or whatever. Compliance efforts can spawn a separate "pipeline" of litigation. Of course, at any point in the process the parties may reach a settlement which, if approved, obviates the need for further proceedings.

Each unfair labor practice charge brought before the Agency must be resolved. However, the further a case proceeds along the Agency's casehandling "pipeline", the greater are our resource needs. So that available resources are providently employed, we have identified four major objectives which we believe are critically important to our goal of processing cases in an effective and efficient manner. First, we carefully screen out clearly non-meritorious cases; second, we continue to emphasize our settlement programs which are designed to maintain the NLRB's traditionally high settlement rate; third, we continue to develop more efficient means of casehandling in order to process quickly and fairly the maximum number of cases; and, fourth, we stress achievement of these objectives in tandem with a commitment to maintaining and improving the quality of our service to the public.

In order to meet the first challenge, the Office of the General Counsel utilizes an intensive public information officer program in our field offices. This program seeks to provide help to those who contact our offices about their concerns. Careful attention at this early, prefiling stage assures that we can screen out many no-merit charges, thus conserving Agency resources which would otherwise be expended in investigating non-meritorious charges if they were filed. It is through the administration of this important program that many thousands of persons are provided with guidance as to what this Agency can and cannot do for them, whether or not they should file a charge and, as appropriate, the identities and locations of other Federal or state agencies to which they might be referred for assistance. The effectiveness of this program is demonstrated by the fact that during Fiscal Year 1989 this Agency's field offices handled 211,934 such contacts from employees, unions and employers, of which only 10,729 or 5.1% resulted in the filing of an unfair labor practice charge.

The second challenge, achieving the maximum number of settlements, involves a great deal of preparation, time, and effort on the part of the staff of the Office of the General Counsel. Administrative Law Judges will also aid the parties in an effort to reach a proper settlement. Even in the highly simplified description of the Agency's case "pipeline" just discussed, it is apparent that as a case progresses from the initial investigation by our field staff to its litigation before the Board and in the courts and eventually into compliance, the drain on Agency resources becomes increasingly severe. In fact, a decrease of one percent in the settlement rate for meritorious cases may result in an additional cost to the Agency of more than one million dollars by the time all of the additional work generated by fully litigating such cases is completed.

Our third challenge is the ongoing necessity, consistent with our traditional standards of high quality, to quickly process the maximum number of cases within our budget constraints. The NLRB has a long history of increasing its level of productivity and its success has been documented by the Bureau of Labor Statistics, the Office of Personnel Management and by the Comptroller General.

Finally, and equally important, we are committed to maintaining quality casehandling and providing effective remedial action in Agency proceedings. This is accomplished by means of an extensive Quality Review program and careful attention to the training of our professional and support staffs.

Accomplishments in Fiscal Year 1989

The record of the Office of the General Counsel in 1989 reflects the careful attention given to our responsibilities under the NLRA and to our obligation to conserve public funds. Both the Washington and field offices under the General Counsel's responsibility have consistently been able to maintain a high level of service to the public. These offices are staffed by hard working and dedicated public servants and it is their commitment, together with the assistance of this Committee in the budget process, that has made this fine record possible.

The NLRB's level of service is reflected in these 1989 operating achievements:

1. Case Intake. The Regional Offices accepted and commenced the processing of 40,523 total cases. The 31,988 unfair labor practice cases filed represent a

increase of 2.0 percent from those filed in Fiscal Year 1988. There were 8,535 representation cases filed, an increase of 16.8 percent from 1988.

2. Unfair Labor Practice Case Dispositions. Of the unfair labor practice charges filed, 35.7 percent were found to have merit, the highest merit factor in at least 19 years, compared to the 35.2 percent in 1988. The settlement rate was 89 percent, down from the 91.1 percent achieved in 1988. A total of 3,226 complaints were issued in a median of 45 days, the same as in 1988.

3. Litigation Results. The General Counsel won 83.6 percent of Board and Administrative Law Judge decisions in whole or in part in Fiscal Year 1989, a decrease from the 79.8 percent litigation rate in Fiscal Year 1988 which represents the highest litigation rate attained since 1978.

4. Representation Case Performance. The Regional Offices conducted approximately 4,245 initial elections of which 83.9 percent were pursuant to agreement of the parties; in 1988, the corresponding figures were 4,132 elections and 83.4 percent election agreements. Regional Directors issued 846 decisions in contested representation cases after hearing in a median time of 43 days,

compared to the 854 decisions which issued in a median time of 43 days in 1988. There were 1,130 initial representation and union deauthorization hearings in 1989, compared to 1,155 in 1988.

5. Productivity. In 1989 productivity continued to be affected by the decline in case intake over the last years, which has occurred at a greater rate than staff attrition. We have also suffered from the loss of numbers of experienced Agency personnel to the salaries of the private sector and a disproportionate number of new untrained staff members in certain areas. Productivity is budgeted to increase in 1990 and 1991.

6. Injunction Activity. We continued to utilize Section 10(j) of the Act effectively: during Fiscal Year 1989, the Regional Offices submitted 163 Section 10(j) injunction cases to the Division of Advice compared to 166 cases in 1988. The General Counsel requested 10(j) injunction petitions in 62 cases in 1989 compared to 44 in 1988.

   The Regional Offices filed 59 petitions for Section 10(l) injunctions in the U. S. District Courts. In 1988, 49 such petitions were filed.

7. Appellate Litigation. In Fiscal Year 1989, 180 cases were decided by the

United States Courts of Appeals compared with 166 in Fiscal Year 1988. Of those decided in FY 89, 87.2 percent were won in whole or in part, compared to 81.3 percent in Fiscal Year 1988; 4.8 percent were remanded entirely compared to 4.8 percent in Fiscal Year 1988; and 8.3 percent were total losses compared with 13.9 percent in Fiscal Year 1988.

These are but a few of the achievements this past year. I am particularly proud of our ability to provide quality service to the public at a time which continuing losses of experienced staff and the extensive training required for new staff members, has challenged Agency managers daily.

It should be noted that during the past several years we have experienced a significant increase in the number of cases requiring complicated efforts to achieve compliance with Board orders and court judgments enforcing those orders. Approximately 70 percent of these cases involve issues of alleged inability to pay or to comply with the remedies ordered by the Board and the courts, often requiring extensive financial analysis and negotiation, as well as too-frequent searches for respondents who have physically moved and re-named themselves to avoid compliance. Approximately 60 percent of all pending compliance cases involve situations where bankruptcy proceedings have been filed by the respondent. The number of compliance cases involving bankruptcy issues has more than doubled since 1978. Since enforcement of the Act ultimately comes down to complying with Board and/or court orders, we must commit additional staff to this facet of our work. Otherwise, the Agency is reduced to a "toothless paper tiger", winning legal victories without real-life consequences and completely voiding the intent of Congress.

Overall, the NLRB's impact on commerce has been considerable. In the last few years, we have been successful in ending unlawful work actions that closed entire ports; stopping secondary activity that threatened to involve an entire network of banks and a large insurance conglomerate in disputes not their own; and enjoining employers seeking to shut down operations and move in order to avoid a union organizing campaign. This latter action saved jobs in several small communities. This record, together with the very favorable comments of practitioners across the country about the quality of the service they receive, reflects the truly outstanding commitment of the Regional and Washington staffs.

Outlook for Fiscal Year 1990

In 1990, the offices under the General Counsel continue to operate effectively and efficiently. Tight control continues to be exercised over expenditures to ensure effective use of the Agency's resources. However, through the first three months of FY 90 the Agency has experienced approximately a 10% increase in ULP filings over the same period in FY 89. Should this rate of case intake continue through FY 90 the Agency will have a very difficult task in handling its workload on a current basis. This will present a very difficult challenge in FY 90 and an even greater challenge in 1991 with a rising backlog. The success of the Agency's field staff has been due in great part to our ability to get to disputes quickly and attempt to resolve them before formal litigation. Productivity increases are expected in almost every area of casehandling.

Outlook for Fiscal Year 1991

If the 2.0 percent increase in workload estimated for 1991 is reached, the Office of the General Counsel will face the challenge of providing current casehandling. While critically important elements of our casehandling, e.g. the settlement rate, are not totally within our control, I am confident that, with the dedication and hard work of our employees and with the thoughtful direction of our managers and supervisors, we will meet our goals.

The Fiscal Year 1991 Agency employment request is expected to be sufficient to process all of the cases that we estimate will be filed in FY 1991.

CONCLUSION

The National Labor Relations Board is about to complete its 55th year. From the foregoing review of the performance of the Office of the General Counsel, it is clear that we have entered our second half century with a healthy, productive and committed organization. I am very proud to be associated with the traditions that have made the headquarters and field operations of the Office of General Counsel such a fine example of effective public service.

In closing I wish to thank the Committee for the opportunity to appear before it and for your continued support during my term of office.

REQUEST FOR FTE

Senator HARKIN. Mr. Hunter, thank you very much.

Mr. Stephens, welcome back again.

Mr. Hunter, welcome for the first time.

You are asking, Mr. Stephens for 53 FTE's for field professionals?

Mr. STEPHENS. I think it is 37.

Senator HARKIN. My counsel says it is 53 positions.

Mr. STEPHENS. The justification that we submitted shows an increase of 37 FTE's from 2,183 to 2,220.

Senator HARKIN. 2,183 to what?

Mr. STEPHENS. 2,183 to 2,220 on page 3 of our justification.

Oh, evidently on table 3 of our justification the number 53.7 appears, and I think that includes number of personnel from the Board members' offices and related units. You will notice there are some decreases there. I think those will go over to the general counsel side and the staff side, so that the 37 which we are requesting in the way of FTE increase plus the transfers I guess would equal 53.

Senator HARKIN. So the 37 are for field professionals?

Mr. STEPHENS. Yes; the 37 which we are asking for would all go to the field as opposed to the Board members' side.

COST-OF-LIVING INCREASES

Senator HARKIN. It is my understanding your budget only requests one-half of the funding needed to meet the cost-of-living increases and the increased costs associated with executive pay raises.

What is the shortfall associated with those pay raises? Can you tell me?

Mr. VINCENT. Mr. Chairman, I believe that expecting a pay raise of 3 percent would cost us slightly over $3 million for the 9 months, so having to absorb one-half of that is an impact of at least $1.5 million.

Senator HARKIN. That is just cost-of-living increase?

Mr. VINCENT. Yes, sir.

EXECUTIVE PAY RAISE

Senator HARKIN. How about the executive pay raise?

Mr. VINCENT. Executive pay raise could be approximately another $1 million if that goes into effect.

Senator HARKIN. So that is $2.5 million?

Mr. VINCENT. Yes, sir; that is right. That is $1 million in addition to the $1.5 million.

Senator HARKIN. How much did you request in your funding for that?

Mr. VINCENT. Neither of those is covered. Our funding for 1991 includes one-half of the expected COLA. It does not include the other one-half. It includes no funding for the next round of the executive pay raise. So all of that, if that comes to be, without additional funding would have to be absorbed within this figure.

Senator HARKIN. I may have some further questions on that which I will submit in writing.

BOARD VACANCIES

There is one other thing I wanted to ask you. How many vacancies are on the Board now?

Mr. STEPHENS. We have one vacancy right now, Mr. Chairman. I do not have any direct information on the plans of the White House to fill that or when it is going to be filled.

If history is any indication, if the White House were to put a name into prenomination clearance in the next few weeks, my experience has been that we could expect in a couple of months an FBI clearance background check and then maybe another month down at the White House. So we are looking at perhaps May before a nomination would come to the Senate, and then perhaps 1 month to 6 weeks, maybe 2 months for consideration by the Labor Committee. So we are probably looking at midsummer at the earliest for that seat to be filled and somebody on board.

CASE PROCESSING TIME

Senator **Harkin**. What is the current timeframe for processing your cases now?

Mr. **Stephens**. That statistic is found in the tables on page 21 of our justification. It is table B, and it is down under category I(B)(4)(b), so that for the period between an ALJ's decision and a Board decision, we have the numbers running for 1980 across to 1989. It shows that there was a period in 1985 where the processing time was increasing, so that in 1988, for instance, it was a substantial time of 395 days. You will see that it reduced in 1989 down to 300 days.

I was advised today that our statistics show that the average processing time between ALJ decision and Board decision has dropped further now to 239 days. I think the bulge that occurred in 1986, 1987, 1988, and 1989 reflected the fact that there were a lot of old cases that had built up. They got backlogged, and they got very old. We have now gotten those out, so that we expect our processing time to still continue to improve in the future.

Senator **Harkin**. Good. I remember when they had all those backlogs back then.

Mr. **Stephens**. Yes; it was an albatross.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Harkin**. That is a good reduction.

I really have nothing else. I have some questions I do want to submit in writing, but I see no need to keep you here for those.

Keep up the good work.

Mr. Hunter, again, welcome on board. We look forward to working with you as we go through this budget cycle.

Mr. **Hunter**. Thank you, Senator Harkin.

Senator **Harkin**. Thank you all for being here.

Mr. **Stephens**. Thank you very much, Senator. We appreciate it.

[The following questions were not asked at the hearing, but were submitted to the Board for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

FIELD STAFF INCREASES

Question. You are requesting an additional 53.7 FTE's for field professionals. Why is this increase needed?

Answer. The additional 53.7 FTE will be used for professional staff in the processing of unfair labor practice charges, and representation petitions. Also, the additional FTE will be used to keep current with our compliance program. We will also be adding a small additional amount of staffing to our Information Officer program to handle the 200,000 plus inquiries received in our Regional Offices.

While the increase in field professional FTE is 53.7, the net Agency FTE increase is 37. The remainder, 16.7, will be transferred from other divisions of the Agency which will not need as much staff in FY 1991.

UNFAIR LABOR PRACTICES

Question. In 1988, the information officer program received 208,941 inquiries, but only 10,788 formal filings resulted. What are you doing to ensure that meritorious cases are not being discouraged?

Answer. The Agency recognizes the critical role played by the information officers in our Regional Offices in answering questions by members of the public who seek information regarding employment-related concerns and, where appropriate, assisting them in filing charges and petitions with the Agency. Because of the vital importance of this first critical contact with the Agency, it is the policy in each of the Regional Offices to require that the professional employees (both attorneys and field examiners) assigned to information officer duty, have at least one year of experience with the Agency before being allowed to serve in that capacity. Exceptions are made only in rare instances where local management determines that a professional with less than one year's experience is so exceptionally well trained that he/she is fully prepared to carry out the information officer responsibilities in a capable manner. Information Officers are expected to not only be versed in the NLRA, but also to be familiar enough with other labor-related laws (both state and federal) to appropriately direct an individual to the proper agency if the individual's inquiry does not fall within the purview of the NLRA.

It cannot be overly emphasized that the Agency's policy is to only discourage clearly nonmeritorious charges. If the information officer has any doubts about the issues raised by the inquiry or is uncertain about the type of referral to make, he/she is instructed to consult with a supervisor or higher management. In this regard, while the Agency's policy is to discourage the filing of clearly nonmeritorious charges, any charge, whether meritorious or not, will be accepted and processed by the Regional Office if the individual insists upon filing it.

In addition to the requirement that only experienced agents be allowed to act as information officers, local management has an obligation to provide information officers with appropriate supervision and assistance. This monitoring of the information officer program includes a requirement that the information officer record on a preprinted form, the identity of the inquirer, the nature of the inquiry and the results of the inquiry. Thus, if the information officer should err in discouraging the filing of a charge, the supervisor would be able to promptly correct the matter. Furthermore, statistical information is accumulated to determine, among other things, how many persons have contacted our information officer by mail, through office visits, or by telephone, the number and types of charges taken, the number of referrals to other agencies, as well as the merit rate of the charges which are accepted. Monitoring this information permits our Washington managers to inquire into regional programs where significant statistical variances indicate that corrective action may be needed. Consequently, through careful and constant review of the program by the Regional Offices and by Washington staff, we can satisfy ourselves that the inquiries by the public are being handled with care, that appropriate charges are being taken, and that clearly nonmeritorious charges are being discouraged.

To further assure that only clearly nonmeritorious charges are being discouraged, it is the Agency's policy to provide ongoing training to professionals in the information officer's role. In addition, information officer assignments are scheduled sufficiently in advance to ensure that the information officer is relieved of other assignments and can devote full time and attention to his/her duties as information officer and ensure he/she has adequate time to fully discuss the concerns raised by the inquirer.

Thus, while an effectively administered information officer program has helped to conserve Agency resources, enough safeguards have been built into the program to ensure that meritorious charges are not being excluded.

ADMINISTRATIVE LAW JUDGES/LOAN PROGRAM

Question. During testimony last year, you indicated that since 1987, the NLRB has loaned its Administrative Law Judges to other agencies on a reimbursable basis, and that approximately 4 FTE's and $300,000 were associated with the loan of those judges. Why is there no loan program in FY 1991?

Answer. No loan program was built into the FY 91 budget because we anticipate that the case load will continue to grow and the number of ALJs will decline. In the event that does not occur we will, of course, continue to lend judges to other agencies.

Our figures for the first four months of FY 90 show that case intake has increased at a rate greater than anticipated at the time the budget projections were made. Complaints issued during the first four months are up 7.4% above the number for the same period last year.

Within the Judges Division, trials pending are up 18.7% and trials closed are up 12.9%. The backlog of decisions pending in cases which have been heard is up 3.4%. The backlog per judge of decisions pending, 4.68, is higher than at any time since 1983, and the increase in both trials closed and pending decisions is reflected in increased time lag between hearing and decision.

The upturn in fact began during the last five months of FY 89 so that as of the end of January, we have had nine months experience from which we project a continuing increase in case load.

At the same time, attrition of the ALJs has continued at the rate we anticipated. At the beginning of FY 89 we had 89 active ALJs, down from a high of 117 in 1981. During FY 89 we lost five judges. Two retired, one transferred to another agency, and two died. During FY 90 three that we know of are planning to retire. One will retire effective March 30, a second at the end of June or July, and a third toward the end of the fiscal year. Thus, at the start of FY 91 we will have no more than 81 active judges.

If the increase in case load continues and we continue to lend judges, backlogs and delays will continue to grow. Even if the loan program is discontinued, after taking retirements into consideration, the increase in available judge time for NLRB cases will do little more than replace the judges who will retire during the current year and the net gain will not keep pace with the increase in case load we now anticipate.

While we anticipate that all our judges will be needed for Board work, if the increased case intake does not hold up, or if backlogs appear manageable without discontinuing the loan program, we would of course make our judges available to other agencies for as long as possible.

PAY INCREASES

Question. It is my understanding that your budget only requests about one-half of the funding needed to meet the cost-of-living increases and the increased costs associated with the executive pay raises. What is the shortfall associated with those pay raises?

Answer. The shortfall is approximately $1.5 million for the cost of living and $1.0 for the executive pay raises.

Question. In other words, and correct me if I am wrong, you have requested increased staffing in the field because of increased workloads -- however, because your request does not include sufficient funding for pay costs, all or part of the money being requested for additional staffing, will, in all probability be used for pay costs. It this correct?

Answer. Yes. While the increased staffing for handling new cases has been carefully calculated and justified, there is a strong likelihood that we will not be able to hire more employees in 1991 than we will employ in 1990. This would be the consequence of absorbing half of the cost of the general pay raise planned for next January and absorbing the major increase in executive salaries.

We do not have discretionary programs that contain anywhere near enough funds to assist in absorbing increased pay costs, so the impact is likely to be seen in our direct casehandling work.

ADMINISTRATIVE LAW JUDGES/STAFFING LEVELS

Question. For the past several years, you have been overstaffed with Administrative Law Judges, and have indicated that the number of judges were being reduced through attrition. Last year you indicated that there were 89 Administrative Law Judges on board in 1989. It is my understanding that as of February, there were 85 ALJ's on board. Is that correct?

Answer. It is correct that there are currently 85 ALJs on board. Of these, one is on extended leave without pay due to illness and is not expected to return to active duty. There are thus 84 active judges on our roster.

Question. You further indicated that four retirements would be taking place during FY 1989; and that there would be 38 ALJ's eligible for retirement in FY 1990. What is the current status of those retirements?

Answer. During FY 89, two judges retired, two died, and one transferred to another agency.

Of those eligible to retire, three have announced definite plans to retire during FY 90. One will retire on March 30. The other two have stopped taking new assignments and will retire when the cases now assigned to them are completed. One expects to finish by the end of June or July, and the other near the end of the fiscal year.

Of the remaining judges who are eligible to retire, none have informed us of plans to retire. We expect that if there is a substantial salary increase for ALJs, most will suspend retirement plans for the next two or three years. However, at that time we would anticipate a surge in retirements. If there is no salary increase, we expect that four or five judges will retire during FY 91.

Question. What is the number of ALJ's required to handle the current workload -- obviously, this number will be less than what you currently have on board.

Answer. Because experience over the last nine months leads us to expect an even greater increase in case load than originally projected, and attrition of judges has continued at the expected rate, we believe that we have reached a balance between the complement of judges and the case load. If case intake continues at the present pace, backlogs will continue to rise during the current fiscal year. Even with discontinuation of the loan program, it will take some time to bring the backlogs, particularly of decisions pending, down to optimum levels. In sum, there has been an increase in workload for the past nine months, not a decrease, and we do not believe that the number of judges required to handle that case load is less than the number we will have when the fiscal year begins.

While judges handling some kinds of cases dispose of much larger numbers of cases in a year than judges handling NLRB cases, comparisons between cases decided by NLRB judges and those decided at other agencies are of little value. Cases are not fungible. Each agency's cases and case mix are different. For example, NTSB cases are decided from the bench and require no written decisions. Hearings are also relatively short. A single judge can handle a high volume of these cases in the same period of time that it would take that judge to hear and decide one multi-issue NLRB case. Similarly black lung cases, to which a number of our judges were assigned during 1987, require on the average little more than an hour a case to be heard, do not have lengthy records, and can usually be written in a fraction of the time required for the average NLRB case.

Question. Inasmuch as you are now doing away with the ALJ loan program, and you have admittedly been overstaffed with ALJ's, what steps are you taking to further reduce those slots?

Answer. As indicated above, the proposal to end the loan program is predicated on the work load coming into balance with the number of judges. Since the original projections were prepared, the case intake figures give us every reason to believe that the number of hearings which will close in FY 90 will be even higher than expected at the time the budget figures were submitted and will exceed last year's total. As of the end of January, 228 hearings had closed compared to 202 for the same period of FY 89, or a 12% increase. Trials pending were 1,207 compared 1,017 for the same periods, for an 18.7% increase.

As set forth above, by the end of FY 90 we will have eight fewer judges than at the beginning of FY 89 to handle a larger number of cases. That reduction exceeds the amount of judge time devoted to loan work during FYs 89 and 90. Thus, without the loan program we believe that in FY 91 we will have fewer judges working on NLRB cases with more Board cases than in FYs 89 and 90 and that no further reduction of slots is needed.

However, should it appear that the full complement of our judges is not needed to perform NLRB work full-

time, we will continue to make our judges available to other agencies on loan as we have done for the past several years. Between continuing to lend judges to other agencies and reducing the complement of judges, the choice is clear. To reduce staff by a reduction in force would necessarily result in losing younger judges who are not eligible for retirement. If, as we project, the need for judges does
and train new judges in place of the experienced judges who had (only recently) been terminated. Any reduction in the complement of judges other than that which occurs through normal attrition and is unavoidable would be detrimental to the work of the agency.

CASE LOAD PROCESSING TIME

Question. I note from your budget justification, that the time has been reduced for the processing of cases. What is the current frame for case processing by the Board?

Answer. As of March our preliminary reports for 1990 indicate that the median time for processing cases by the Board had been reduced to 239 days from Judges Decision to Board Decision.

BOARD VACANCIES

Question. What is being done to fill the vacancies on the Board, and how are these vacancies impacting on the Board's ability to issue decisions?

Answer. We have one vacancy right now, for the seat that was vacated by former Member John Higgins last year. We understand that the White House is actively working on a nomination for that position. Two of our Members, Mr. Devany and Mr. Oviatt are holding recess appointments and awaiting Senate confirmation. Chairman Stephens' current term will expire in August of 1990 and Member Cracraft's term runs until August of 1991.

PITTSTON COAL

Question. Considerable publicity has been given to the situation at Pittston Coal. What has been the NLRB's involvement?

Answer. As a result of a labor dispute between The Pittston Company ("Pittston") and the International Union, United Mine Workers of America, AFL-CIO ("UMWA"), during the past year, hundreds of unfair labor practice charges were filed by Pittston, other employers in the coal industry, or the UMWA. Over 400 charges were filed in 10 regions alleging violations of Section 8(b)(4) of the Act by the UMWA, its affiliated Districts and Locals. The Acting General Counsel issued complaints in most of these cases and several Section 10(1) injunctions were either obtained or the need for them was negated by settlements that were secured. Charges were also filed against the UMWA and its affiliates alleging numerous and various acts of picket-line misconduct. Complaints issued in several cases in which broad cease-and-desist orders are being sought against the UMWA and its affiliates. Section 10(j) injunctions were also secured to prohibit this misconduct while the unfair labor practice litigation is pending before the Agency. Several petitions for civil contempt were filed in U. S. District Courts alleging violations of these 10(j) injunctions. A petition was also filed in the U. S. Court of Appeals for the Fourth Circuit to adjudge the UMWA, two of its affiliates, and several individuals in civil contempt for having violated the contempt adjudication entered by that Court in 1987.

This dispute also involves alleged unfair labor practice conduct by employers. Several charges have been filed by the UMWA alleging violations of Section 8(a)(1)(3) and (5) of the Act by Pittston and other employers. Complaints issued alleging Pittston to be a single employer with several of its subsidiaries and to have committed numerous unfair labor practices. In addition, a settlement with Pittston was obtained in one Section 10(j) proceeding involving a unilateral termination of health insurance benefits to employees who were laid off prior to the commencement of the alleged unfair labor practice strike.

Subsequent to Pittston and the UMWA reaching an agreement on the terms and conditions of a new collective-bargaining agreement, on February 9, 1989, the General Counsel of the National Labor Relations Board approved a settlement of the pending litigation involving the UMWA and Pittston. The cornerstone of the settlement is the agreement by the UMWA to an expansion of the outstanding civil contempt decree in the U. S. Court of Appeals for the Fourth Circuit which the National Labor Relations Board had obtained in 1987. The settlement brings to an end the pending litigation before the Agency involving these parties and will result in the withdrawal of numerous charges.

Unfair labor practice charges filed against the UMWA by employers other than Pittston are unaffected by this agreement. These charges involve the 8(b)(4) secondary boycott cases noted above and 8(b)(1)(A) charges filed by coal industry employers other than the Pittston Company. These matters will proceed to litigation if we are unable to resolve them by settlement agreement. The secondary boycott case hearing is scheduled to begin April 23 and will take several weeks just to receive the testimony.

FURNITURE & EQUIPMENT PURCHASES

Question. Your budget justification also indicates that you are requesting increases for furniture and equipment. Could you explain what furniture and equipment will be purchased, and what this is needed?

Answer. The increases that are being requested will be used to procure much needed office automated equipment, principally personal computers. The National

Labor Relations Board has in the past taken a very conservative approach to purchasing computers. Consequently, well under half of the employees who need computers have them, and most of those we have are not yet linked into networks. We have now reached a point where we are confident about our needs and what equipment and software will meet those requirements.

The NLRB is expecting to spend approximately $2.5 million on personal computers. This is approximately $1.5 million more than we plan to spend in FY 1990.

CASE INTAKE

Question. In view of the fact that your workload estimates for unfair labor cases have been lower than estimated, yet your staffing has been based on the higher estimates, why are you now requesting increases in staff?

Answer. Our unfair labor practice case intake has been rising notably for nearly a year now. The move began last May, when intake was ten percent above the previous May. And now, for the first six months of Fiscal Year 1990, that intake is nearly ten percent higher than in the same six months the previous year.

We do not have more evidence to say that the trend will continue, but neither have we seen any sign of leveling off. And historically, case intake usually increases during the spring and summer months. Finally, the workload at this point is already, in FY 1990, on its way to easily reaching the level we projected for FY 1991.

PAST YEAR BUDGET INFORMATION

Question. In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990. 1) Total salaries and expenses. 2) Amount of your appropriation that was unused and turned back to the Treasury. 3) Equipment/Expenditures. 4) Fourth quarter expenditures (all items over $3,000).

Answer. See table.

Past Year Budget Information
1.

TOTAL SALARIES AND EXPENSES ($000)

		FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
11	Personnel compensation	93,264	90,822	89,149	90,999	92,720	93,670
12	Personnel benefits	11,331	10,927	12,072	12,869	14,730	15,000
13	Benefits to former employees	0	37	12	16	28	0
	Subtotal	104,595	101,786	101,233	103,884	107,478	108,670
21	Travel	4,890	3,167	3,336	2,936	3,771	3,700
22	Transportation of things	231	108	281	130	201	180
23	Rental payments to GSA	12,898	12,714	12,950	14,607	14,186	15,723
23	Communications, utilities, and miscellaneous charges	5,541	5,550	4,811	4,435	4,757	4,470
24	Printing and reproduction	518	235	566	266	434	408

25	Other services	4,784	3,864	4,137	4,121	4,871	4,315
26	Supplies and materials	1,649	912	1,533	1,148	648	1,065
31	Equipment	2,287	547	1,818	719	457	1,440
42	Insurance claims & indemnities	75	139	166	140	128	140
	Total direct obligation	137,498	129,022	130,831	132,386	136,931	140,111
	Reimbursable obligations	0	109	187	305	326	300
	Total obligations	137,498	129,131	131,018	132,691	137,257	140,411

2.

AMOUNT OF APPROPRIATION UNUSED ($000)

FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
466	33	1,416	711	52	0

3.

EQUIPMENT - EXPENDITURES ($000)

FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
1,863	439	1,485	545	353	500

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF EARL R. OHMAN, JR., GENERAL COUNSEL

ACCOMPANIED BY:

LARRY A. HOSS, DIRECTOR OF ADMINISTRATIVE SERVICES
PAUL A. TENNEY, CHIEF ADMINISTRATIVE LAW JUDGE

BUDGET REQUEST

Senator HARKIN. Next we have the OSHA Review Commission. The Occupational Safety and Health Review Commission is charged with ruling on cases forwarded to it by the Department of Labor.

The fiscal year 1991 budget request of the Commission is $6.401 million, an increase of $401,000.

Testifying today is Mr. Earl Ohman, Jr., General Counsel to the Commission.

Mr. OHMAN. Thank you, Mr. Chairman.

Senator HARKIN. Welcome, and if you would summarize your statement I would appreciate it. Please introduce the people who are with you.

Mr. OHMAN. Yes, sir.

To my left I have Larry A. Hoss. He is our Director of Administrative Services. To my right is Chief Judge Paul A. Tenney, the head of our administrative law judges.

Put briefly, our sole function is to adjudicate contested cases between employees, employers, and the Department of Labor under the Occupational Safety and Health Act. The Commission presently has no Commission members, and that is why I am testifying here today.

We are requesting $6,401,000 for fiscal year 1991. This is an increase of $431,000 from fiscal year 1990.

PREPARED STATEMENT

The rest of what I would have to say is included in my statement which I would like submitted for the record. We stand ready to answer any questions you may have, sir.

[The statement follows:]

STATEMENT OF EARL R. OHMAN, JR.

Mr. Chairman, it is my distinct privilege to present for your consideration the fiscal year 1991 appropriation request for the Occupational Safety and Health Review Commission. The Commission's requested funding level for fiscal year 1991 is $6,401,000, which is an increase of $431,000 above the fiscal year 1990 funding level. The requested funding level will support an authorized staffing level of 85 FTE's, which is the same level as fiscal year 1990.

The Occupational Safety and Health Review Commission is an independent adjudicatory agency established under the Occupational Safety and Health Act of 1970

(29 U.S.C. 651 et seq.). The Commission is composed of three Commission members appointed by the President by and with the advice and consent of the Senate. Its sole purpose and program is to assure the just and expeditious adjudication of disputes between OSHA (an agency of the Department of Labor) and employers charged with violations of safety and health standards established by OSHA.

Adjudication of such disputes is accomplished at the first level by proceedings before the Commission's Administrative Law Judges. A case which cannot be concluded by amicable settlement or upon motion is decided by an Administrative Law Judge after an administrative trial conducted in accordance with the Commission's Rules of Procedure and the Administrative Procedure Act. All decisions by ALJ are subject to review by the full Commission, upon a direction for review ordered by any one Commissioner. Unless a case is directed for review within 30 days, the ALJ's decision becomes the final decision of the Commission by operation of the law. If directed for review, a case is decided by the three Commissioners sitting as a collegial body. The cases are usually decided on the basis of briefs filed by the parties, although oral argument may be ordered. The Act requires a quorum of two Commissioners and the affirmative vote of two Commissioners for any official action.

From April 27, 1989 to November 22, 1989, two vacancies existed the Commission level. During this period, no Commission decisions in pending cases could issue because no quorum existed. Since the adjournment of the last session of Congress, all three Commission member positions have been vacant. As a result of the three vacancies, no administrative law judge decision could be directed for review. Nominations have been submitted by the President for these positions and presently are pending action by the appropriate Senate Committee.

The initial thrust of the Review Commission's program is the first level adjudication of cases by the Commission's corps of administrative law judges. The review of cases by the Commissioners is essentially to assure consistency and uniformity in the adjudicatory process, to provide precedents in novel circumstances or in the application of new OSHA standards, and where appropriate, to provide new directions, as guides to the administrative law judges.

During fiscal year 1989 3,564 new contested cases were filed with the Commission, which was a 30-percent increase above the fiscal year 1988 level. The Commission's budget request is based on the estimates that approximately 4,200 new cases will be filed in fiscal year 1990 and 5,000 new cases will be filed in fiscal year 1991. These estimates in new cases continue the trend of significant increases in the number of new cases that began in fiscal year 1987. Consistent with our estimates, recent public statements by the Department of Labor's Deputy Assistant Secretary for Occupational Safety and Health and the Department's Solicitor suggest that substantial increases in the number of new cases in fiscal year 1990 and fiscal year 1991 will result from actions and staff increases by those two Department of Labor programs.

Actions taken by the Commission to improve case assignment and processing procedures and to appoint attorney-advisors to assist in the Administrative Law Judge Program have proven successful. Productivity has increased in the ALJ program 40 percent from fiscal year 1988 to fiscal year 1989. Despite large numbers of new cases, only a modest increase in the ALJ backlog of cases has been incurred during the past 2 years. However, there is concern that present staffing level may be inadequate to continue to absorb case load increases at the ALJ adjudication level. Should continued productivity increases not be possible, the result could be sizable increases in the backlog of cases at the administrative law judge level.

At the Commission review level, 51 cases were issued during the approximately 5 months that a quorum existed in fiscal year 1989. As a result of this and restraint in directing new cases for review, there presently are 78 cases awaiting Commission review. Many kf these, however, are difficult cases presenting imlortant issues. As sokn as new Commission members are appointed, the revies caseload is atlected to rise quickly and substantially tk ?beck&a ilrklortionate with the caseload at the ALJ level. A ck&binatikj qkb lbactkrs—thraa ljas lCk&&issioj &embers, a backlog of difficult cases, a substantial increase of new cases, and current staffing at the review level—may strain staffing at the review level.

This concludes my opening statement to the Committee. I and other senior officials of the Review Commission stand ready to answer your questions.

QUORUM

Senator HARKIN. Let me understand this right now. Under the Occupational Safety and Health Act of 1970, the Review Commission must have a quorum of two commissioners to take official action on a case?

Mr. **Ohman**. That is correct.

Senator **Harkin**. The Commission was without a quorum from April 1987 through November 1988. Currently, the Review Commission has been without a quorum since April 1989 and without a single Commission member since November 1989.

Mr. **Ohman**. That is correct.

Senator **Harkin**. Maybe we should just abolish it. How much money could we save? How much is it?

Mr. **Ohman**. We are requesting $6,104,000 for fiscal year 1991.

Senator **Harkin**. What effect does the lack of a quorum have on your workload?

Mr. **Ohman**. The first level of adjudication is handled by the Commission's administrative law judges, and their workload is in large part unaffected. Approximately 97 percent of the cases are resolved at the administrative law judge level and never appealed to the full Commission. Approximately 2 to 2.5 percent of the cases are reviewed by the Commission itself, and at the present those cases are at a standstill.

I would add, however, that there is no appeal as of right from the administrative law judge level. It is discretionary among each of the commissioners to direct a case for review. At present there are no commissioners, and no cases can be directed for review. Any case decided by one of our administrative law judges presently is appealable to the U.S. Courts of Appeals, and these are the only places where a party can obtain relief.

Senator **Harkin**. For the party seeking that, that is quite a bit more of an expense, is it not?

Mr. **Ohman**. Very much.

Senator **Harkin**. It has sort of a dampening effect on parties seeking any kind of appeal on either side of the argument, whoever loses and wants to appeal.

Mr. **Ohman**. That is particularly with our Agency. We estimate that about 30 percent of the cases before our judges are employers appearing pro se.

Senator **Harkin**. All companies?

Mr. **Ohman**. Yes, sir.

Senator **Harkin**. In past years the Commission has received funding as if it was fully staffed. The previous lack of a quorum and the commissioners have resulted in excess funds in the personnel compensation category.

How were these surplus funds used?

Mr. **Ohman**. The Commission has turned them back to the Department of Treasury. In fiscal year 1988 the Commission's budget request was reduced by the Senate because of quorum shortages to account for those extra funds.

Senator **Harkin**. Would you for the record detail how much?

Mr. **Ohman**. Yes, sir; we can provide you with amounts for each year.

[The information follows:]

MONEY RETURNED TO TREASURY

Fiscal year	Salaries and expenses	Returned
1985	$6,143,000	$444,000
1986	5,647,000	335,000
1987	5,750,000	458,000
1988	5,885,000	487,000
1989	5,845,000	62,000
1990	5,970,000	

STAFF

Senator **Harkin**. Now does each commissioner have a staff?

Mr. **Ohman**. At present, each commissioner would have a staff of two.

Senator **Harkin**. Say that again. Each commissioner would have a staff——

Mr. **Ohman**. Of two.

Senator **Harkin** [continuing]. Of two.

Are those people on board?

Mr. **Ohman**. There are no staff personnel presently working for commissioners.

Senator **Harkin**. There is no staff?

Mr. **Ohman**. There are no staffs for them now. We have secretarial staff which we can provide them, and each incoming commissioner would be entitled to a chief legal counsel. A commissioner could take that person either from within the agency or from the outside.

Senator **Harkin**. That is really all the questions I have. I appreciate your being here. Thank you very much.

Mr. **Ohman**. Thank you, Senator.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Harkin**. We will submit some other things in writing for you.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Confirmation of Commissioners

1. Under the Occupational Safety and Health Act of 1970, the Occupational Safety and Health Review Commission must have a quorum of two Commissioners to take official action on a case. The Commission was without a quorum from April 1987 through November 1988. Currently OSHRC has been without a quorum since April 1989 and without a single Commission member since November 1989. However, we understand that there are two nominations pending.

> When do you think the Commission will have a quorum? What affect does the lack of quorum have on your workload and your budget?

Mr. Edwin G. Foulke, Jr. was confirmed by the Senate as a Member of the Commission on March 1, 1990 and designated Chairman of the Commission by the President on March 5th. The nominations of Mr. Donald G. Wiseman and Dr. Velma Montoya to be Members of the Review Commission are pending before the Senate Labor and Human Resources Committee. It was reported as of March 7, 1990, that the Committee had not scheduled action on the nominees.

The lack of a quorum has no apparent effect on the workload of the Commission's Administrative Law

Judges. The availability of relief to parties in cases before judges is limited because interlocutory appeal cannot be had and certain motions to the full Commission cannot be decided. These problems, however, inure to the parties and have had no apparent effect upon either the judges' workload or that portion of the Commission's budget.

At the Commission Review level, vacancies in all three Commission member positions prevented any judge's decision from being directed for review from November 22, 1989 until Chairman Foulke's appointment. During that time the only incoming cases on review were remanded from the courts of appeals. The pending workload on November 22, 1989 was ample to keep the staff busy during this period. Because the statute provides that a single Commission Member can direct review of a judge's decision, the appointment of Chairman Foulke has resulted in the resumption of cases being considered for review. At present, the pending caseload is smaller than it would have been if a quorum had been maintained.

Surplus Funds

In the past years the Commission has received funding as if it was fully staffed. The previous lack of a quorum and Commissioners have resulted in excess funds in the personnel compensation category.

How were these surplus funds used?

It is and has been the Commission's policy that when a vacancy exists at the Commission Member level and there are also vacancies on that particular staff, the staff vacancies are not encumbered until such time as there is a sitting Commission Member. The funds that have been included in the Commission's annual appropriation for those positions are not identified as a separate line item in the annual appropriation, which is a "Salaries and Necessary Expenses" appropriation. The Commission has taken the position for many years that only necessary funds will be expended to accomplish its mission. The practice of "burning up" funds at fiscal year end does not exist at the Commission and the Commission has historically returned unused appropriated funds to the Treasury at the end of the fiscal year accounting period. For fiscal years 1985-1989, these amounts have ranged from

$62,000 to $487,000. In fiscal year 1988 the Commission's appropriation was reduced $347,000 because of the lack of a quorum at the Commissioner level.

Administrative Law Judge Caseload

We have heard in a previous hearing that OSHA is issuing "Megafines" for egregious violations. These fines are assessed on a violation-by-violation basis when flagrant violations of the Occupational Safety and Health Act are encountered. These violations are then combined into one "Megafine."

> What effect will OSHA's assessment of the megafines have on the Review Commission's caseload?

The effect of OSHA's penalty assessment of "megafines" is basically two-fold. First, the number of contests in relation to all OSHA inspections has increased since the issuance of "megafines" for egregious violations. The number of contested cases for FY 1988 was 2,746 cases, for FY 1989, the number of new cases received was 3,564. At the present time, it is estimated that 4,200 cases will be received in FY 1990 and 5,000 cases in FY 1991. Second, the "megafine" cases have increased not only the number but the magnitude of the cases. The most recent hearing of an egregious case lasted four and one-half weeks and other hearings of these cases are expected to take approximately the same amount of time. In contrast, the average time for hearing an OSHA case of ordinary dimensions ranges from one to two days. Therefore, the Commission can expect longer hearings with higher incidental costs for travel, transcripts and case processing.

Executive Pay Raise

The Ethics Reform Act of 1989 specifies the terms of the FY 1991 Executive Pay Raise. The Act states that for Executive positions: " . . . the rate of basic pay for positions in the Executive Schedule shall be increased in the amount of 25 percent of their respective rates . . . rounded to the nearest multiple of $100 . . .".

> Have funds for this pay raise been included in this budget? If not, how many Commission FTE will be affected by this pay raise and how much money will be required to fund this pay raise? How will this pay raise be funded? If the Commission absorbs this amount what constraints will be imposed on the Commission?

The anticipated increased costs of the Executive Pay Raise to the Commission will be approximately $116,000, and will affect six Commission FTE. Funds to provide for the pay raise were not included in the FY 1991 budget request. Preliminary discussions with OMB during the FY 1991 budget formulation process did not lead to a final decision as to whether the Commission would absorb the pay increase or whether supplemental funds would need to be requested. At the present time, it is not possible to identify a specific Commission program in which reductions or constraints would be imposed to absorb the pay increase.

Administrative Law Judge Caseload

We understand that the Commission's backlog of cases is increasing as a factor of the volume of cases received and the contest rate (the percentage of contests resulting from inspections).

> How does the volume of cases received correspond with OSHA's regulatory and enforcement actions? Is OSHA cracking down and assessing more violations?

OSHA has apparently placed increased emphasis on inspections, and this has obviously contributed to an increase of the Commission's caseload. The amount of penalties proposed by OSHA for violations of standards went from $11.2 million in fiscal 1986, to $21.5 million in fiscal 1987, to $40.7 million in fiscal 1988, and to $45.7 million for 1989. The Commission's caseload has also risen dramatically. In FY 1987, 1,888 new cases were received; in FY 1988, 2,746 new cases were received, and in FY 1989, 3,564 new cases were received. As of February 28, 1990, the Commission had received 1,304 new cases for FY 1990. The increase in cases received by the Commission corresponds to the increased enforcement emphasis.

Per the OSHA Act of 1970, employers do not have to remedy the violations until after a final decision is made by the Commission.

> Does the Commission feel that employers and businesses use the appeals process to delay expensive repairs that would be necessary to comply with the Act?

Section 10(b) of the Occupational Safety and Health Act delays the start of the period permitted for the abatement of violations "until the entry of a final order by the Commission in the case of any review proceedings under this section initiated by the employer in good faith and not solely for delay or avoidance of penalties..." In the entire history of the agency, the Commission cannot recall any case in which a contest was found to have been initiated in bad faith and almost none in which bad faith was even alleged. The Commission has no reason to believe that such a problem exists because most employers would not appear to benefit from delaying corrective measures. The only possible exception may occur at transitory worksites, such as construction sites, where a job might be completed before litigation is complete. The Commission has always sought to minimize this possibility by making every effort to quickly adjudicate all cases. In recent years, case processing times probably have been lowered to minimum times. However, with sharply rising caseloads, adequate staffing levels will be the critical factor in the Commission's ability to continue to resolve cases as quickly as possible.

Commission Staffing

We recognize that FTE are an important resource for every agency, especially for the Commission as the caseload continues to increase.

How many FTE are you currently funding in FY 1990? How many FTE did you fund last

> year in FY 1989? (Please note that we are not asking for permanent positions but Full Time Equivalents - FTE.) Would you please provide, for the record, a listing of those FTE by position.

At the present time, the Commission is funding 77 FTE. The Commission funded 74 FTE for FY 1989. A listing of those FTE is attached.

FTE Levels

In your budget justification the FTE level for FY 1990 in 85. In FY 1991 the FTE level also is 85.

> If your FTE levels remain constant in FY 1990 and FY 1991 please justify the requested increase of $317,000 in Personnel costs for FY 1991?

The increase of $317,000 in Personnel Compensation costs is required to provide for the government-wide pay increase in January of 1990, the Executive Level pay increase in February 1990 and one-half of the anticipated 4% pay increase for January 1991.

Budget Discrepancies

As we were reading through the budget justification we noticed that the FY 1990 FTE levels in your budget submission do not agree with the FY 1990 FTE levels in the President's budget. The FY 1990 FTE level in your submission is 85 and in the President's budget the FY 1990 level is 79.

> Why does the FY 1990 FTE level in your submission differ from the FY 1990 level in the President's budget?

The FY 1990 FTE level of 85 included in the budget submission is the Commission's FY 90 FTE ceiling as imposed by OMB. The FTE level of 79 in the President's budget is the number of FTE's that the Commission expects to fund for the full FY 1990 year. Had the Commission had a full Commission member quorum for FY 90, the Commission would have funded 85 FTE rather than the expected 79.

In your budget justification you refer to the addition of other attorney advisors in FY 1991. However your tables show the FTE level remaining constant from FY 1990 to FY 1991. We do not notice a request for additional attorney advisor positions in FY 1991.

> Please explain the FTE increase to which you are referring?

As part of the FY 1991 budget discussion, OMB recommended and the Commission agrees that a second attorney advisor position be provided to each of the Commission's regional offices to assist the administrative law judges in meeting the increased caseload that is presently being experienced and is estimated to continue in FY 1991.

It is anticipated that the Commission will have a full complement of Commission Members by the beginning of the third quarter of FY 1990, which will require the filling of the presently vacant positions on those staffs. When that action is completed, the Commission will be at the authorized FY 1990 and FY 1991 FTE ceilings of 85 FTE. Based upon present and estimated workload requirements, it will not be possible to reassign any presently allotted FTEs to the Administrative Law Judge Program as recommended by the Office of Management and Budget in order to meet the increased caseload demands.

Past Year Budget Information

In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

1) Total Salaries and Expenses

2) Amount of your appropriation that was unused and turned back to the Treasury

3) Equipment-Expenditures

4) Fourth Quarter Expenditures (all items over $3,000)

The requested information for items 1, 2, and 3 are in the table below.

FY	Salaries & Expenses	Amount Returned to Treasury	Equipment Expenditures
85	6,143,000	444,000	133,000
86	5,647,000	335,000	93,000
87	5,750,000	458,000	77,000
88	5,885,000	487,000	203,000
89	5,845,000	62,000	219,000
90	5,970,000	---	---

The requested information for item 4 is included on the attached insert. It should be noted that in FY 1988 and FY 1989, it was necessary for the Commission to replace duplication equipment in all offices because of the age and maintenance problems that were being experienced with equipment that was over six years old. Also, the Commission converted from word processing equipment that was over eight years old to computerized processing that enabled the Commission to absorb increased caseload demands without requiring staff increases. The increased caseload also necessitated the need to upgrade the automated case-tracking system equipment to meet increased capacity requirements. Also, because of demands placed upon the Commission by the U.S. Postal Service, it became necessary to convert the mailing process to a postal metering system, which required substantial broad advances to the U.S. Postal system.

The Commission has and will continue to follow the practice of conducting discussions with the Office of Management and Budget prior to implementing any major procurements of equipment items or other significant procurement needs.

Fourth Quarter Purchases Over $3,000

FY 1985:

Automated Legal Research Service (Westlaw)	$ 7,900
Duplicating Equipment Regional Offices	$41,000
Automated Word Processing Equipment	$10,000
Postal Service Equipment	$ 6,000

FY 1986:

ADP Hardware Equipment	$ 9,500
ADP Software Programs	$ 4,800
Library Shelving Regional Offices	$ 6,400
Library Subscriptions (Legal Research)	$ 6,300
Duplicating Equipment (National Office)	$58,000

FY 1987:

Telephone Equipment	$ 3,400
Microfiche Camera Processor	$10,600
ADP Hardware Equipment (PCs & Printers)	$50,500
Library Subscriptions (Legal Research)	$13,700

FY 1988:

Library Subscription (Legal Research)	$29,840
ADP Software Programs	$ 8,100
ADP Hardware Equipment	$71,000

FY 1989:

Postal Service Advance	$40,000
Library Subscriptions (Legal Research)	$40,000
Microfiche Services (Commission Decisions)	$23,400
Court Reporting Increased Costs	$34,100
ADP Supplies & Software	$ 7,100
Library Shelving (National & Regional Offices)	$ 9,900
Duplicating Equipment (National & Regional Offices)	$64,000

FY	Salaries & Expenses	Amount Returned to Treasury	Equipment Expenditures
85	6,143,000	444,000	133,000
86	5,647,000	335,000	93,000
87	5,750,000	458,000	77,000
88	5,885,000	487,000	203,000
89	5,845,000	62,000	219,000
90	5,970,000	---	---

SUBCOMMITTEE RECESS

Senator HARKIN. That is all for today. The subcommittee will stand in recess until 2 p.m., Wednesday, February 28, when we will meet again to hear from the remaining related agencies. Thank you all.

[Whereupon, at 3:27 p.m., Monday, February 26, the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, February 28.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1991

WEDNESDAY, FEBRUARY 28, 1990

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:12 p.m., in room SD–192, Dirksen Senate Office Building, Hon. Arlen Specter presiding.

Present: Senator Specter.

PHYSICIAN PAYMENT REVIEW COMMISSION

STATEMENT OF PHILIP R. LEE, M.D., CHAIRMAN

ACCOMPANIED BY DR. LAUREN LeROY, DEPUTY DIRECTOR

PREPARED STATEMENT

Senator SPECTER. The Appropriations Subcommittee for Labor, Health and Human Services, Education and Related Agencies will now be convened. I regret the delay in arrival. These Senate schedules are absolutely impossible, as I think most of you know. I am sorry to keep you waiting.

This afternoon we will hear testimony from 7 of our 20 related agencies with regard to their fiscal year 1991 budget requests.

Our first agency will be the Physician Payment Review Commission [PPRC]. I am pleased to welcome Dr. Phil Lee and Dr. Lauren LeRoy to the committee this afternoon from the Physician Payment Review Commission.

Since we saw the Commission last year, the PPRC has developed and the Congress has enacted a plan for completely overhauling how Medicare pays doctors. The Commission's resource-based relative value scale can bring about major improvements in increasing access to primary care, preventing disease, and promoting health services, especially in the rural areas of our Nation that have fallen behind in the services.

All of the written statements will be made a part of the record, and brevity would be very much appreciated.

[The statement follows:]

STATEMENT OF DR. PHILIP R. LEE

Mr. Chairman, I am pleased to come before this Committee again to review the progress of the Physician Payment Review Commission in the past year and to describe our plans for the future. In 1986, the Commission began work on its mandate to advise Congress on reforms in the methods used to pay physicians for services provided to Medicare beneficiaries. Its charge was broadened in 1988 to develop policies to slow utilization and expenditure growth for these services as well. Throughout the past three years, the Commission's 13 members have worked closely together and with the Commission staff in developing reforms to assure financial protection for beneficiaries, increase equity in payment to physicians, and control the rising costs of the program while assuring access to appropriate medical services.

This past year was very productive and successful for the Commission. The Commission met its goal of providing Congress with a comprehensive set of proposals for Medicare physician payment reform in its 1989 annual report. On the day I came before you last year, the Commission also introduced those recommendations to Congress in testimony before the Senate Finance Committee. The main elements of its plan were a Medicare fee schedule based primarily on resource costs, limits on balance billing, and the use of expenditure targets coupled with increased research on the effectiveness of medical services and the development of practice guidelines.

By the end of the year, Congress had enacted payment reform as part of the Omnibus Budget Reconciliation Act of 1989 (OBRA89) that closely reflected the Commission's work both in its broad approach and many of its details. The importance of the Commission's analytical work and policy advice in the development and implementation of the new payment system was underscored when Congress mandated a formal role for the Commission in refining the Medicare Fee Schedule and updating Volume Performance Standards. In addition, Congress chose to draw on the Commission's analytic resources for five studies mandated in OBRA89.

COMMISSION WORK PLAN

In the coming year, the Commission will continue its analytical work on issues underlying the payment reform legislation and take steps to further refine and extend the policy. With the passage of Medicare physician payment reform behind us, the Commission must now focus on the development and refinement of key aspects of the policy that are required for its implementation. At the same time, the Commission has broadened the scope of its work to include study of the implications of the Medicare Fee Schedule and Volume Performance Standards for payment to limited license practitioners and to nonphysician practitioners and examination of issues related to physician payment under Medicaid.

It is not possible to review all the Commission's plans in this brief statement. They are described in detail in the Commission's appropriation request submitted to this Committee last January. I will highlight some of the major areas of work the Commission will undertake in the next fiscal year.

Refining the Medicare Fee Schedule

The relative value scale underlying the Medicare Fee Schedule has three cost components: a "physician work" component that reflects the time and intensity of the physician's effort in providing a service, a "practice expense" component that includes costs such as office rent, salaries, equipment and supplies, and a separate "malpractice" component that reflects professional liability premium expenses. Additional work is required on each of these components before implementation of the fee schedule begins in 1992.

The Commission is currently developing a scale of relative work for the Medicare Fee Schedule that will be based on estimates of physician work from the study of William Hsiao and his colleagues at Harvard University. The Hsiao team is correcting certain methodologic problems identified in the Commission's evaluation of the study. The Commission will review these changes as part of its evaluation of the data and results from the second phase of the study to be completed in Fall 1990. Problems related to standardizing coding policies for surgical procedures and clarifying the definitions of codes for physician visits and consultations are being addressed directly by the Commission. When the work of Hsiao and the Commission is completed, the Commission will begin a process involving specialty societies, panels of physicians, the Hsiao team, the American Medical Association and the Health Care Financing Administration to refine the scale of relative work.

The Commission will also continue its work on methods for incorporating practice expense and malpractice components into the fee schedule. This work includes refining the method of allocating practice expense to individual services and collecting practice cost data to use in developing estimates of practice expense that are specific to a group of related services.

OBRA89 calls upon the Commission to examine options for paying physicians the Medicare share of their malpractice premiums. In its upcoming report to Congress, the Commission will describe the options that it will examine in the coming year, including assigning malpractice expense according to a physician's risk class or by type of service and direct reimbursement of a portion of a physician's premium.

The Commission will conduct further work to assure equitable payment among geographic areas under the Medicare Fee Schedule. It will focus on the accuracy of existing geographic cost of practice indexes (GPCIs) in capturing the costs of practice for physicians in rural areas, an issue we know is of great concern to this Committee. It will also complete its assessment of the implications of alternative policies for defining payment areas under the Medicare Fee Schedule and make recommendations to Congress on both these issues next year.

Implementation of Volume Performance Standards

OBRA89 gives the Commission a formal role in setting the performance standard and updating fees. Each year, the Commission will comment on recommendations by the Secretary of Health and Human Services and make its own recommendations to Congress. To do so, the Commission will consider a number of factors including inflation, changes in the number and age composition of Medicare beneficiaries, changes in technology, evidence of unnecessary or inappropriate use of services and evidence of lack of access to care. The Commission has assessed the availability of data to monitor each factor and has developed approaches to reaching decisions in areas where data are limited. As part of that effort, the Commission will convene a panel of experts to assist it in monitoring the effects of the new payment system on access and quality of care for Medicare beneficiaries.

A number of options for refining the national Volume Performance Standard policy were left open for future decisions, and the Commission will continue to explore them. One concerns whether there should be subnational performance standards and updates, such as specialty group or state-level standards. In preparation for its upcoming report to Congress, the Commission has already identified the issues that must be addressed in evaluating subnational options. As it continues to assess these options, the Commission will take into account steps to strengthen Medicare data systems, experience with the national performance standard, the actions of specialty societies and other physician organizations in responding to the Volume Performance Standard policy, and the progress of initiatives in both the public and private sectors for effectiveness research and development of practice guidelines.

The payment reform legislation calls on the HHS Secretary to develop a proposal for separate performance standards and updates for voluntarily-formed groups of physicians. The Commission is skeptical about the feasiblity of this approach but remains interested in strengthening the Medicare risk contracting program with HMOs as a physician alternative to volume performance standards. To that end, it will give further attention to improving the accuracy of the adjusted average per capita cost (AAPCC) used to calculate HMO payment rates and options to expand the Medicare risk contracting program to include established multispecialty group practices.

ESTIMATE FOR FISCAL YEAR 1990

The Commission requests $3.871 million for Fiscal Year 1991. This level would maintain a staff of 26 and provide the resources to support their work, cover the expenses of Commission meetings, and permit funding of analyses and data development by outside experts to supplement the work of the staff. This request represents an increase of $65,000 over the Fiscal Year 1990 appropriation level. Additional funds to cover the annual costs of fully staffing the Commission and increased demand for computer services together account for a major portion of the increase.

The Commission has recruited a highly trained staff that has become expert in the methods required to develop sound policy recommendations for Congress on Medicare physician payment. The Commission's ability to maintain its effectiveness in responding to Congressional mandates requires the continuation of the staffing plan developed over the past few years.

The scope of the Commission's analytic work requiring computer and programming services has increased each year primarily for two reasons. First, there has been a growing need for data analysis, whether it be the use of large Medicare claims files to conduct simulations of policy options or the analysis for smaller data sets, often developed through Commission surveys, in the development of those options. Also, the Commission has recruited additional staff with expertise in data analysis to strengthen its capacity to respond to the demands for analytic work. Given the analytic requirements of the Commission's role in refining and updating the Medicare Fee Schedule and Volume Performance Standards, adequate funds for computer services will continue to be a priority in the Commission's budget.

The work before us in the next several years will be equally demanding to that which led to passage of Medicare physician payment reform last November. The Commission has developed the expertise required to perform the necessary analytic work, maintain productive working relationships with interest groups and develop timely recommendations for Congress. We look forward to the challenge before us. I will be glad to respond to any questions you have regarding the Commission's work or its Fiscal Year 1991 budget request.

BIOGRAPHY OF DR. PHILIP R. LEE

Philip R. Lee, M.D., Professor of Social Medicine, has served as Director of the Institute for Health Policy Studies at the University of California, San Francisco (UCSF) since 1972. He served as Chancellor of UCSF from 1969 to 1972 and was Assistant Secretary for Health and Scientific Affairs in the Department of Health, Education, and Welfare from 1965 to 1969.

Dr. Lee is the author of over 100 articles in the health field, and he has co-authored numerous books. His teaching and research endeavors in the field of health policy focus on disease prevention and health promotion, health care for the elderly, prescription drugs, health manpower, reproductive health policy, and AIDS-related policies and costs.

Dr. Lee is a frequent advisor to Federal health policy makers, and he serves on numerous advisory boards and planning groups. He currently serves as President of the Health Commission for the City and County of San Francisco, and in July 1986 he was appointed Chairman of the Physician Payment Review Commission established by the U.S. Congress.

BIOGRAPHY OF LAUREN LE ROY

Lauren LeRoy, Ph.D. is Deputy Director of the Physician Payment Review Commission. Prior to coming to the Commission, Dr. LeRoy served as Associate Director of The Commonwealth Fund Commission on Elderly People Living Alone where she was responsible for management of staff activities, project development and review of proposals for the Commission's grant program.

Dr. LeRoy began her career working on health legislation in the Department of Health, Education, and Welfare in Washington, D.C. She later became the Assistant Director of the Institute for Health Policy Studies, and had a joint appointment as the Associate Director of the Aging Health Policy Center, at the University of California, San Francisco. While at the Institute, she served as Director of its Washington, D.C. office for over six years.

Dr. LeRoy is the author of two books analyzing issues related to physician training and practice, including Primary Care in a Specialized World, as well as numerous articles and book chapters on physician training, nurse practitioners, the nurse labor market, health and aging issues, and family planning and reproductive health.

Dr. LeRoy has served as an adviser to such groups as the Institute of Medicine, the Office of Technology Assessment, the Foundation for Health Services Research, the California State Health Manpower Advisory Committee and the National Study of Internal Medicine Manpower. She did her graduate work in social policy planning at the University of California, Berkeley.

INTRODUCTION OF ASSOCIATES

Dr. LEE. Mr. Chairman, thank you very much. I am Dr. Philip Lee, and I am accompanied by Dr. Lauren LeRoy, a Deputy Director of the Physician Payment Review Commission. I am pleased to have this opportunity to report the progress of the work of the Physician Payment Review Commission.

Mr. Chairman, you have already summarized half of my testimony with respect to the work of the past year and the actions by the Congress.

In the coming year the Commission will continue its analytical work on issues underlying the payment reform legislation and take steps to further refine and extend the policy. It is certainly not possible to review all of the work in detail. We submitted in January a detailed justification with respect to the work plan, and I just want to highlight several areas.

First, with respect to refining the Medicare fee schedule which goes into effect in 1992, the three cost components of that, physician work, the practice expense, and malpractice, are all areas that the Commission will be devoting considerable time to.

GEOGRAPHIC ADJUSTMENTS TO THE FEE SCHEDULE

An area I think of particular concern to this committee has been the geographic factors that relate to the fee schedule and whether the geographic cost of practice index captures the cost of practice for physicians in rural areas. This is an area to which we are going to give special attention both in analysis of a number of data sources and some specific studies relating to costs in rural areas.

As an example, the cost of equipment that must be used by physicians in rural areas may be higher than in an urban area. Currently, they do not receive comparable payments for those overhead costs, so in some cases practice costs in rural areas may be higher than in urban areas. In the past it has simply been assumed they were higher in the urban areas, disadvantaging the rural practitioners.

VOLUME PERFORMANCE STANDARDS

For the volume performance standards which Congress has adopted, the Commission has been asked to comment on the Secretary's recommendations, and we will, of course, be doing that on May 15. We will consider a number of factors, including inflation, changes in the number and age composition of the beneficiary population, changes in technology, evidence of unnecessary or inappropriate use of services, and evidence of lack of access to care.

We will be assessing the availability of data to monitor each of these factors. This will be an area during the coming year that we will be devoting considerable time and attention to. We will have an expert panel to advise us, particularly on the impact of technology change.

COMMISSION BUDGET REQUEST

The budget request for the coming fiscal year is $3.87 million, and that is an increase of $65,000 over this year's appropriation. Last year we were given a significant increase. We feel that this level of appropriation, with this very modest increase, will be adequate to meet the needs of the Commission and the staff.

One of the areas that is particularly important to us is adequate funding for computer time and programming. We do many simulations and have developed sophistication in simulating the impact of various policy changes. That has been a very important contribution, I think, by the staff. That is an important component. You will notice a rather large amount, over $500,000, for the computer budget.

The other area is funding for analytic work. We use outside consultants or firms in some cases to carry out data gathering or analytic activities for the Commission. We believe with this level of funding we will be able to meet the additional requirements that the Congress has asked us to meet during the coming year.

STEMMING MEDICARE PART B COST INCREASES

Senator SPECTER. Thank you very much, Dr. Lee. One of the major objectives of the recent overhaul of the Medicare system for physician services is to stem the rising costs of physical services, currently at 16 percent per year.

When do you anticipate we will see a decline in the rising costs of Medicare, part B?

Dr. LEE. I think we are talking about a decline in the rate of increase.

Senator SPECTER. Start there.

Dr. LEE. There are two things that are happening. First, the volume performance standards that Congress established for 1990 will be compared with the data on expenditures that will be available in 1991. Decisions Congress will make on the fiscal year 1992 budget will reflect that analysis. So by that year, we will certainly see a direct impact of the decision by Congress to establish this volume performance standard.

The second thing that has happened is really a more indirect effect but it is in a sense a message that Congress has sent out to the medical profession. With the establishment of the volume performance standard, we have seen an extraordinary amount of activity on the part of various specialty organizations to develop practice guidelines and to begin to become cognizant of——

Senator SPECTER. So when is it that you expect to see a decline?

Dr. LEE. In 1992 I think we will definitely see it. We may see it earlier because of these other things that are happening.

ADDRESSING RURAL PAYMENT INEQUITIES

Senator SPECTER. Dr. Lee, many physicians in rural Pennsylvania communities have contacted me concerning inequities in the reimbursement rates for rural versus urban physician services.

Will the newly enacted payment system for these services move to resolve this inequity? I know you addressed this a little in your opening statement.

Dr. LEE. Our simulations would suggest that by the full implementation of the fee schedule, which will be in 1996, the family practitioners will be receiving nearly 40 percent more on average from Medicare than they do at the present time. There are gross inequities now in terms of the family practitioner and other rural physician payments both with respect to the physician work component of the relative value scale and with respect to correcting the practice cost inequities. It should go a long way to correcting what has been a serious inequity.

In addition, Congress added a 10-percent increase in payments for physicians working in underserved areas. More of those are in rural areas than in urban areas, and that would be another factor that will help to correct the current inequities in the Medicare payments.

ADEQUACY OF COMMISSION BUDGET REQUEST

Senator SPECTER. Dr. Lee, as a result of the Medicare physician payment reform, the responsibilities of the Commission will be expanded in fiscal year 1991, but the budget requests less than a 2-percent increase in the appropriation for the next fiscal year.

Will the Commission have additional responsibilities as a result of the Omnibus Budget Reconciliation Act of 1989; and if so, how will that be accommodated within the existing budget?

Dr. LEE. We definitely will have. There have been a series of mandated studies relating to practice expense, geographic payment areas, payment for nonphysician services——

Senator SPECTER. What do you anticipate, then, within the limits of the funding?

Dr. LEE. We believe with the resources available that we will be able to meet those needs with the budget request that we have made. We have looked at this very carefully since those increased responsibilities were assigned to the Commission. We had anticipated in our budget request that a number of these would be included, so they did not come as a big surprise. In our planning we feel that we can meet the needs with that level of appropriation.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator SPECTER. Dr. Lee, we have only covered really a small amount of what we need to inquire into, but because of the large number of witnesses, we are going to submit some questions in writing.

We thank you very much for coming today.

Dr. LEE. Thank you very much, sir. Thank you.

Senator SPECTER. We appreciate it.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Physician Supply in Rural Areas.

A recent study in Health Affairs by Kindig and Movassaghi says that the increase in the total number of physicians in the U.S. has resulted in more doctors going to larger rural counties -- those over 10,000 population -- but that the supply of doctors in counties with less than 10,000 people continues to decline.

-- If you are familiar with this study, can you comment on how the supply of physicians to rural counties with under 10,000 population might be impacted by physician payment reform?

Dr. Philip Lee: The study by Kindig and Movassaghi contains a number of insights into the availability of physicians in very small rural areas. They reported that growth in physician supply in small rural counties was well below the rate in the U.S. overall during the period 1975-1985. Furthermore, they reported that physician-to-population ratios were much lower in small rural counties (53) than in the nation overall (165). Kindig and Movassaghi also emphasized the importance of primary care providers in small rural areas, especially family and general practitioners who provide 91% of primary care.

The data they presented painted a picture of a significant discrepancy between physician availability in small rural counties and reasonable measures of adequate supply. At the same time, the study cautions that no standards exist for measuring "adequate" levels of physician availability.

Physician payment reform is likely to improve the availability of physicians in small rural areas in several ways. First, it will reduce the differences between Medicare fee levels in urban and rural areas. The geographic adjuster that was adopted by Congress narrows the difference between urban and rural payment substantially. And the provision increasing bonus payment for primary care services delivered in health manpower shortage areas (HMSA) to 10 percent and expanding the definition of eligible HMSA will raise payment in many rural counties.

Narrowing the payment difference between urban and rural areas is likely to increase physician supply in the latter. The most relevant piece of research on this point is an evaluation by Mathematica Policy Research of the effects of the introduction of universal health care coverage in Quebec.[1] Universal coverage ended urban-rural payment differentials in Quebec. The study concluded that other things being equal, the average gross payment for general practitioners (GP)s in an area tends to exert a positive effect on the migration of GPs, although the magnitude of the estimated effect appears to be sensitive to the specification of the model (p. 6)

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[1] U.S. Department of Health, Education, and Welfare, Public Health Service, National Center for Health Services Research, **Responses of Canadian Physicians to the Introduction of Universal Medical Care Insurance**, NCHSR Research Digest Series, DHEW Publication No. (PHS) 80-3229, February 1980.

It goes on to suggest that

> The observed movement of general practitioners to areas in Quebec where payments per GP are relatively high suggests that financial incentives may provide policy options for affecting the distribution of physicians (p. 15).

In addition, payment reform will influence the supply of primary care providers relative to specialists by increasing reimbursement levels for primary care services relative to surgical services and procedures. The relative rewards to specializing in family practice will increase substantially as a result of the payment reform.

Effect of Geographic Payment Differentials.

-- How have the existing geographic differentials in Medicare physician payment impacted on access to physician services in rural areas?

Dr. Philip Lee: By the same reasoning as in the answer to the previous question, I feel that the existing geographic differentials have had a negative impact on access to physicians' services in rural areas. One of the major factors behind the Commission's proposal of a Medicare fee schedule was the fact that after adjustment for differences in practice costs, payments in rural areas were lower than in urban areas. The negative impact of this differential is likely to have been compounded by the cumulative constraint on Medicare payments over time. Rural physicians appear to have less ability than urban physicians to offset shortfalls in Medicare payment by increased charges to other payers.

Commission Recommendation.

The PPRC has based its recommendations consistently on actual studies. For example, PPRC recommended no payment differential for services provided by specialists as compared to generalists such as family practitioners.

-- Given that no data currently exists to show a higher cost-of-practice in urban areas, will the

Commission recommend no cost differential between urban and rural areas?

Dr. Philip Lee: The Commission believes that the evidence available now supports a conclusion that practice costs are higher in urban areas. The geographic practice cost index (GPCI) developed by the Health Care Financing Administration shows that. While the GPCI has limitations, the Commission decided that it was adequate to base payment on.

As indicated in my prepared statement, however, the Commission is aware that the GPCI may not accurately reflect practice costs in rural areas, especially those that are far from major metropolitan areas. The GPCI is an index of relative prices of practice inputs in a payment area. Proxies used for certain components of the GPCI, such as those for salaries of nonphysician employees and office rent, may understate costs in rural areas. The national cost weights used in the index may not reflect cost proportions in rural practice, which could affect the level of the GPCI in rural areas. Finally, the diseconomies of small practices in rural areas are not reflected in the GPCI.

In a hearing specifically devoted to rural practice costs, the Commission listened to testimony on these issues from rural practice consultants, practicing rural physicians, and managers of a large rural group practice with small satellite practices. Much of the information presented suggested that practice costs in rural areas are comparable to those in urban areas and, in some instances, higher. On the basis of this hearing, a number of studies were initiated. These include analysis of alternative proxies for GPCI components, analysis of cost weights for alternative definitions of rural areas, and simulations of GPCIs using alternative cost weights. The Commission has contracted for studies that will provide further information on these issues. In addition, the Commission staff is using data from its own physician survey to study the scale economy issue. These analyses, to be completed during the next few months, will provide background for Commission consideration of recommendations for modifying the GPCI or the manner in which it is applied to payment in rural areas. Additional studies will be conducted as required.

When this analysis is completed over the next few months, the Commission will consider further recommendations. They could include modification of the GPCI or an adjustment to the GPCI for certain rural areas.

Accuracy of Geographic Practice Cost Index.

The Urban Institute developed a model to project measurements of the cost of a medical practice.

This Geographic Practice Cost Index is already being used by the Health Care Financing Administration and there are indications that PPRC will also use this model as a proxy for measuring the cost of practice.

-- **Has this model ever been validated by any studies of actual practice costs?**

If so, please provide the subcommittee with these studies.

Dr. Philip Lee: At this point, the GPCI has not been validated. Validation could be accomplished in two ways. One approach would be to evaluate the accuracy and reliability of the data on practice input prices from which the GPCI is calculated. This includes consideration of alternative proxies and comparison of the results. As I indicated in my answer to the preceding question, the Commission is following this approach, focusing on the validity for rural areas.

A second approach to validation would involve collecting detailed accounting data on practice costs from a large sample of physician practices. The evaluation would consist of calculating average costs per standardized service of a typical practice in different geographic areas and comparing variation in these costs to variation in the GPCI.

The Commission is attempting to use data from its physician survey to carry out such a validation, again focusing on the validity of the GPCI's estimate of urban-rural differences in costs. But whether such a validation is even feasible is not clear. A problem with measuring relative costs with accounting data is that they reflect expenditures incurred by physicians rather than prices faced. Thus, if a physician decides to rent a large office in an expensive section of town, the accounting data will show high costs. But the prices faced, which are a more relevant variable to base a geographic adjuster on, may tell a different story. In addition, detailed data on physician services provided, which are needed to calculate unit costs, are difficult to obtain.

Physician Supply in Canada.

Some Canadian provinces adjust physician payment rates to affect where doctors practice. Quebec, for example, pays a higher rate to doctors who practice in manpower shortage areas, and lower rates to those who establish their practice where there is a glut of doctors.

-- What is the feasibility or desirability of Medicare paying U.S. doctors in this way: can or should

Medicare payments be used to impact the distribution of physicians?

Dr. Philip Lee: Congress has already taken several steps that should increase what Medicare pays physicians in rural, and particularly underserved, areas. First, the Medicare Fee Schedule enacted as part of physician payment reform in OBRA89 will (beginning in 1992) set payment rates to fully adjust for differences in costs of practice but only partially adjust for differences in cost of living. This will increase payment rates in most rural areas and decrease them in many urban areas. Second, the new Medicare Fee Schedule will increase payment rates for primary care relative to other services, and much of physicians' practices in rural areas are predominantly primary care. Third, Congress increased the bonus payment for both rural and urban underserved areas to 10 percent. These changes will increase payment rates for physician practices in rural areas, and particularly in rural underserved areas.

Most countries go one step further, and pay the same rates in all areas of the country, or even pay higher rates in underserved rural areas. On the other hand, the U.S. is a larger and more diverse country than most others, and the variation in practice costs may be greater. In any case, the Congress could choose to further increase payment rates in rural areas or rural underserved areas in the future, particularly if the payment reform enacted in OBRA89 does not sufficiently increase access to care in rural areas.

Higher payment rates may not be the only or best way to increase access to care in underserved rural areas, or more generally to individuals and populations that are now underserved. It may be that other factors are more important in physicians' location decisions, such as proximity to other physicians or to hospitals. And access for Medicare beneficiaries in rural areas may also depend on other factors like the income of the beneficiary. Studies by the new Agency for Health Care Policy and Research, which was created along with physician payment reform by OBRA89, would help us understand how best to increase access in these areas. The new Agency's charge includes a directive to give particular attention to the needs of rural and underserved populations.

Nonphysician providers.

The past few years have brought some expansions in Medicare coverage of services provided by several nonphysician groups, such as nurse practitioners, physician assistants, and social workers. Last year the Committee asked ProPAC and PPRC to undertake a study on appropriate methods for paying these nonphysician providers. What progress can you report on this work?

Dr. Philip Lee: The Commission has taken a number of steps to develop recommendations for Congress on how nonphysician providers, who currently receive payment under Medicare Part B, should be paid under the Medicare Fee Schedule. Our work in this area was initiated in 1989 at the request of the Senate Appropriations Committee and it continues under the specific directives included in OBRA89. The Commission will submit a report to Congress by July, 1991 on this topic as mandated in OBRA89.

The Commission staff are examining how nonphysicians substitute for physicians, the effectiveness of nonphysicians in providing specific services, and the supply of and demand for nonphysician providers by hospitals and physicians. First, the staff have already collected data on various nonphysician providers in order to learn more about their educational preparation, the scope of their practices, and their current Medicare reimbursement arrangements. We will also be collecting data from a variety of service settings, such as HMOs and multispecialty group practices, that employ relatively large numbers of nonphysicians. This will allow us to develop data on the use and costs of nonphysician services.

Staff have also met with representatives of organizations representing nonphysicians including the American Association of Nurse Anesthetists (AANA), the American Nurses' Association (ANA), and the American Academy of Nurse Practitioners (AANP) to begin discussing implications of the Medicare Fee Schedule on their member practitioners. Discussions with the AANA focused on the incorporation of the anesthesia relative value guide into the Medicare Fee Schedule. The views of these professionals are very important to the Commission because payment to both nurse anesthetists and anesthesiologists is based on the same relative value guide.

Recognizing that the implications of the fee schedule vary for different nonphysician providers, staff will be continuing its work to identify the issues that pertain to each nonphysician group. In the upcoming months they will meet with representatives of the following nonphysician groups: physician assistants, nurse midwives, clinical psychologists, physical and occupational therapists, and social workers.

The Commission's analysis of payment to nonphysicians builds on recent staff work on payment to limited license practitioners (LLPs), non-MD professionals who are defined as "physicians" under the Medicare statute. The Congress directed in OBRA89 that LLPs be incorporated into the Medicare Fee Schedule. The Commission considered how this should be accomplished and makes several recommendations in its upcoming 1990 report to Congress. In its analysis and recommendations on LLPs, the Commission adhered to the principle that physicians should be paid the same fee when the service is the same. Following the approach used for LLPs, the staff are therefore addressing two critical questions. First, do nonphysicians and physicians provide the same service when they bill for the service using the same code (i.e. Current Procedural Terminology (CPT) billing codes)? Second, if physicians and nonphysicians provide the same service, should they be paid the same?

The Commission is also exploring the desirability of using the principles of human capital theory (of educational choice) in setting payments to nonphysicians. This theory holds that workers will be induced to undertake additional schooling if they are compensated with sufficiently higher lifetime earnings. For example, a different fee schedule could be recommended for nonphysicians because they have invested fewer years in education and training than physicians who perform similar services. Theoretically this fee schedule could be set to equalize the physicians' and the nonphysicians' average rate of return on education and training.

Commission staff are preparing a presentation on nonphysician providers for the Commission's June, 1990 meeting.

Past Year Budget Information.

In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

1) Total Salaries and Expenses

2) Amount of your appropriation that was unused and turned back to the Treasury

3) Equipment-Expenditures

4) Fourth Quarter Expenditures (all items over $3,000)

Dr. Philip Lee: This table submitted for the record.

PAST YEAR BUDGET INFORMATION

Year	Total Expense Salaries & Other Expenses	Amount Reverted to U.S. Treasury	Total Amount Expended/ Equipment	4th Quarter Expense/ Contracts > $3000	Total Fiscal Year Expense/ Contracts
1986 [1]	n/a	n/a	n/a	n/a	n/a
1987	$ 873,272	.00	$ 40,878	$ 64,228	$ 64,228
1988	2,915,000	$ 30,000	43,866	679,198	1,116,680
1989	2,867,000	n/a	23,389	255,224	1,018,995
1990 [2]	1,108,975	n/a	2,773	n/a	n/a

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[1] The Physician Payment Review Commission was established in April 1986 by P.L. 99-272.

[2] For the current budget year, Fiscal Year 1990, year-to-date expenses have been provided for all categories except Fourth Quarter Expense.

CORPORATION FOR PUBLIC BROADCASTING

STATEMENT OF DONALD E. LEDWIG, PRESIDENT AND CHIEF EXECUTIVE OFFICER

ACCOMPANIED BY FREDERICK DeMARCO, VICE PRESIDENT, STATION RELATIONS AND TREASURER

INTRODUCTION OF ASSOCIATES

Senator SPECTER. We will now hear from the Corporation for Public Broadcasting [CPB]. I would like to welcome Donald Ledwig, President and Chief Executive Officer of CPB.

If you would start by introducing those who are with you.

Mr. LEDWIG. Thank you, Mr. Chairman. I appreciate this opportunity to testify in support of the Corporation's fiscal year 1993 appropriations. I am accompanied by Frederick DeMarco, CPB's Vice President, Station Relations and Treasurer.

With your permission, Mr. Chairman, I will summarize my written statement and ask that my complete statement be included in the record.

Senator SPECTER. It has already been announced that the full text of written statements will be included in the record. Please summarize.

SUMMARY STATEMENT

Mr. LEDWIG. I wish to thank the subcommittee for its leadership in consistently securing the funding levels that have allowed public broadcasting to maintain the quality of programming and services available to the American people. Emmys, Academy Award nominations, and half of all of this year's DuPont Columbia awards for broadcast journalism including the highest award, would not have been possible without your support.

Today, the Corporation requests an appropriation for general system support of $285 million for fiscal year 1993. We also request an additional appropriation of $66.94 million to complete the replacement of our satellite interconnection system.

CPB recognizes that 1990 continues to demand stringent fiscal restraint, and we appreciate the hard choices that this subcommittee faces in funding important programs in health, education and other areas. CPB believes, however, that public broadcasting holds one of the keys to meeting the goals of this subcommittee, thus making it penny for penny an increasingly wise investment. We use the word "investment" because the commitment of funds to public broadcasting provides a much greater return in terms of programming and services that reflects the needs of our diverse Nation.

Our hallmark national programming continues to set the industry standard, indepth and incisive news programming on public television and public radio, children's programming that enjoys the trust of millions of parents, and educational programming that utilizes public television's full potential. You do not need to ask us about the value of these programs. I have attached to my written statement an appendix from the Washington Post that includes four weekly columns of recommended programs for children's programming. In 1 week, 31 of the 32 recommended programs were on public television.

Public television also offers daring documentaries that have been virtually abandoned by commercial broadcasters, performing arts programming to people in rural and inner city America who otherwise would be unable to experience them, and community outreach programming that addresses many of the critical social issues addressed by this subcommittee.

Mr. Chairman, investing in public broadcasting also invests in the education of our youth. The educational services of public television reach far beyond the boundaries of traditional instructional television programs, embracing new technology and focusing on lifelong learning by bringing instructional signals into the classroom and informational programming into the home and workplace.

PUBLIC BROADCASTING

Today's public broadcasting is a Soviet instructor in Moscow teaching Russian to American students and a teacher in Lincoln, NE, teaching Japanese to students nationwide via the public television satellite.

Another of the most exciting features of public broadcasting is the community outreach effort to involve and inform viewers on important social issues at the local level. The Public Television Outreach Alliance which CPB helped to create and continues to fund has focused attention and generated community action on such issues as Project Literacy U.S., the PLUS project, drug and alcohol addiction, child abuse, the critical need for childcare, and AIDS.

In 1990 CPB has brought on board to work with public television five major educational groups representing 8.6 million educators and parents in support of Operation Earth, a year-long focus on the environment.

In public radio, outreach programming ranges from examining the increasing incidence of the fetal alcohol syndrome among Native Americans to the disproportionate effects of AIDS on black Americans.

CLOSED CAPTIONING

CPB appropriations also enable the Corporation to help develop such technologies as the use of closed captioning for the hearing impaired, enable stations to bring educational programming into 64,000 schools and 3,000 colleges and universities, the multilinkage of video programming with computer programming and, most recently, spur the development of the descriptive video service which allows the sight impaired to lock in on the windows and wonders of television by providing an actual narrative description on a separate audio program, or SAP switch, available on stereo television sets.

The benefits of this infrastructure now reaches 94 percent of the U.S. population in the case of public television, compared to only 55 percent of the country reached by cable, and 86 percent in the case of public radio.

CPB's educational activities include supporting the research and development of instructional programs via satellite, providing essential materials such as study guides and instructions to effectively use television as a learning tool, and implementing major initiatives to increase the awareness of teachers and parents of the value of public television programming.

In addition, CPB conducts critical research and planning on national goals and priorities for programming.

SATELLITE INTERCONNECTION SYSTEM

Mr. Chairman, CPB's request today will fund a multitude of programs and services but one in particular: the need to maintain the vitality of public broadcasting programs and services with the replacement of the satellite interconnection system. Our current system has provided public broadcasting with a low cost, efficient, flexible and dependable means of distributing programming. The system will reach the end of its useful life when the satellite runs out of maneuvering fuel in fiscal year 1991.

While CPB and the public broadcasting industry are working together to make these and other new initiatives a reality, full implementation without placing existing program services or stations at risk will not be possible with the level of support necessary to match these goals without the full level discussed during our reauthorization process.

VAST ACHIEVEMENTS IN EDUCATION

Mr. Chairman, CPB and public broadcasting are justifiably proud of our vast achievements in education, in outreach and in providing diverse alternative programming. The Corporation believes, however, that continued future dividends can be realized only with the public's full commitment, one that allows public broadcasting to unleash its full potential to address the new decade's challenges. Already we are looking toward high definition television, fiber optic cable, and the expanded use of direct broadcast satellites and other advances in technology.

In 1982, CPB received appropriations of $172 million. In 1992 CPB will receive $251 million. Using 1982 as a base year, this means that the purchasing power of the 1992 appropriations is equivalent to $177 million, or an increase of only 3 percent in real dollar terms. This compares to the increase in the size of the public broadcasting system from 557 stations in 1982 to 726 stations in 1992, a system size increase of 24 percent.

In the past, Mr. Chairman, this committee has taken the lead and the risk by appropriating funds to CPB in response to our requests. I do not believe that we have ever failed to deliver more than we have promised in those requests. I assure you that we will continue to do our best to continue that record.

PREPARED STATEMENT

For these reasons, Mr. Chairman, CPB must request the full appropriation of $285 million for fiscal year 1993. This level together with the final installment on satellite replacement of $66.94 million will position public broadcasting technologically and programmatically to meet its mission of providing alternative diverse and quality programming.

Thank you. I shall be pleased to respond to any questions you may have.

[The statement follows:]

STATEMENT DONALD E. LEDWIG

INTRODUCTION

Mr. Chairman and members of the subcommittee, as president and chief executive officer of the Corporation for Public Broadcasting (CPB),[1] I appreciate this opportunity to testify in support of the Corporation's fiscal year 1993 appropriations.

I wish to thank this subcommittee for its leadership in securing funding for the first two years of our current authorization at levels that allowed public broadcasting to maintain the quality of programming and services to the American public that is recognized as the standard in all of broadcasting. The continued recognition of public broadcasting's superb programs in the major industry awards for quality such as: Emmys for best television program or series, Academy Awards nominations for best documentary and half of all of the DuPont Columbia awards for broadcast journalism this year (including the highest award), would not have been possible without your support. For that we are deeply grateful.

Today the Corporation requests an appropriation for general system support of $285 million for fiscal year 1993. We also request an additional appropriation of $66.94 million to complete the replacement of our satellite interconnection system. Of the $200 million authorized by Congress for satellite replacement in 1988, $133.06 million has been appropriated. This request is for the remainder of the authorized funds.

I. PUBLIC BROADCASTING - A COST-EFFECTIVE INVESTMENT

Mr. Chairman, 1990 marks a time of change for public broadcasting; a time when pride in our achievements is tempered by our appreciation for the challenges and opportunities that lie ahead. But CPB believes that future achievements depend greatly on public and Congressional commitment to meet those challenges and opportunities.

CPB recognizes that 1990 continues to demand stringent fiscal restraint and a sensible reordering of priorities within a framework that promotes the most beneficial and efficient programs. We are well aware that, within the jurisdiction of this subcommittee alone, there are scores of programs that offer promise and hope in meeting one of life's basic necessities, improved health care, as well as such other societal goals as raising educational standards and providing better and safer working environments for America's workforce. When it comes to choosing among worthy programs, CPB recognizes and appreciates the hard choices that this subcommittee faces. CPB also believes, however, that one of the keys to meeting the needs these programs represent is held by public broadcasting, thus making it penny for penny (less than 37-cents a month for a family of four to be exact) an increasingly wise investment.

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[1] CPB is a nonprofit, nongovernmental corporation authorized by the Public Broadcasting Act of 1967 to facilitate the full development of public telecommunications and distribution of high-quality public service programs to all Americans. On November 7, 1988, President Reagan signed the Public Telecommunications Act of 1988, Public Law 100-626, authorizing CPB for fiscal years 1991 through 1993. Its enactment was the product of strong bipartisan Congressional support and reenforced this nation's continued commitment to invest in public broadcasting as a means of promoting the public interest.

II. THE PUBLIC'S RETURN-ON-INVESTMENT

We use the word "investment" because the commitment of public funds to public broadcasting provides a much greater return in terms of the wealth of diverse alternative programming and services to the millions who view or listen. By offering a free, comprehensive educational and cultural telecommunications service, public broadcasting stands alone in meeting the public interest goal of providing quality, alternative programming to the American people. If one believes that time is the stuff that life is made of, then improving the quality of the way people spend that time improves the quality of life in America.

A. Unparalleled Programming

Long recognized for its unsurpassed quality, the programming provided by public broadcasting remains unobtainable on any consistent basis commercially. This programming includes: in-depth and incisive news (such as public television's The MacNeil/Lehrer Newshour and public radio's All Things Considered, and Morning Edition); documentaries that seriously examine public affairs issues and challenge the audiences' point of view (Frontline); children's programming that continues to enjoy the trust of millions of parents who rely on it as a haven and an educational tool for their youngsters (Sesame Street, DeGrassi High, Reading Rainbow and Mr. Rogers' Neighborhood); and, programming that successfully utilizes the full educational potential of television (Square One and 3-2-1 Contact). For evidence of the value of public television's children's programming, check the "Children's Fare" column of the Washington Post's weekly television guide. In one recent week, 31 of the 32 recommended programs for children were on public television. (See Appendix)

In addition, public broadcasting awakens the American conscience through daring cultural documentaries such as (The American Experience, Eyes on the Prize and Eyes on the Prize II); brings the theater to Topeka, opera to Oneonta and drama to Des Moines, in many cases to people who would otherwise be unable to experience them (Great Performances and American Playhouse); and, sensitizes public awareness of major social concerns with outreach programming covering such critical issues as childcare, literacy, AIDS, and the environment.

More important, public broadcasting is an investment because it yields a hefty return-to-the-public in the form of its traditional strengths: educational services, local and nationwide service, and diverse programming that reflects the entire fabric of America's racial and ethnic heritage. Whether it is a Soviet instructor in Moscow teaching Russian to American students or a teacher in Lincoln, Nebraska, teaching Japanese to students nationwide via public television satellite, public broadcasting is expanding the horizons of traditional classroom learning. Whether it is sharing with all Americans the experiences of residents of Fort Wayne, Indiana, in grappling with the crisis of AIDS in their community (America in the Age of AIDS); or whether it is providing the catalyst to millions of people working with local task forces in cities such as Tampa, Philadelphia, Cincinnati, or San Antonio, and states such as Iowa, South Carolina, Nebraska and Kentucky, to bring communities together to develop new methods to combat illiteracy, public broadcasting is applying its resources to addressing the nation's most pressing social needs.

B. A Partner in Education

Public broadcasting is an investment for our youth and their education. Last month, the Department of Education reported that one common thread found among low achieving students was that they spend an inordinate amount of time watching television -- more than seven hours per day for the average American, according to a Nielsen study. Yet, educators credit public television with better preparing youngsters academically than children who do not view our programs, raising the question: How can we steer more audiences to the potential benefits of television which are found overwhelmingly on public television?

One way is by taking the fullest advantage of the decades-old partnership between public television and educators who together are adapting to the nation's rapidly changing technologies and demographics. Today, the educational services of public television, the very roots of which are in education, reach far beyond the boundaries of traditional instructional television (ITV) programs, embracing new technology and focusing on lifelong learning. Public television is expanding the learning environment beyond the traditional lecture and textbook methods. By bringing instructional signals into the classroom by satellite and beaming informational programming into the home and workplace, public television has successfully enhanced educational capabilities even as other factors have combined to break educational standards down. Among the many examples: Jerona Tate, a student at Abbeville High School in South Carolina who is taking applied economics through the Satellite Education Resource Consortium (SERC). He has achieved the third highest SAT score in his class and will be the first in his family to go to college, where he plans to study chemical engineering at the University of South Carolina. Another example is Samuel Romesberg, Curriculum Coordinator, Meyersdale School District in Meyersdale, Pennsylvania, who states: "There are students in this school who would not be able to enter college if they had not been able to take SERC classes. We intend to expand our participation and offer our students as many SERC courses as we can."

Or Dr. Joseph E. Lutjeharms, Nebraska superintendent of schools: "SERC is changing the face of education in this state. For the first time I will be able to guarantee equal access to critically important courses to every school district that could not offer them before. Our teachers benefit from the staff development courses as well. I expect to see broader opportunity for Nebraska high school graduates as a result of the SERC program."

These are just a few examples of the investment public broadcasting has made in educating our youth. We believe firmly that, with adequate resources, public television can continue to hold one of the keys to reversing the downward trend in academic achievement and reinvigorating America's education system. Already public television provides educators with:

- 1,500 instructional television (ITV) program hours nationally every year over the National ITV Satellite Schedule (NISS);
- computer linkages such as Learning Link that enhance broadcast instruction; resources directly related to curricula, such as programming and study guides and textbook correlation; and,
- services to reach and instruct children and adults outside the classroom, including mentoring efforts and televised General Educational Development (GED) programs for high-school equivalency certificates.

In short, public television can cut through budget constraints and topple distance barriers by providing inexpensive access to educational programming and instruction of the highest quality that may not be available otherwise.

C. A True National Service

But the public investment yields more than programmatic and educational returns. It has also resulted in the development of a public telecommunications system that benefits all fifty states, Guam, American Samoa, the Virgin Islands, and Puerto Rico. In the early years, CPB appropriations focused on the development of this infrastructure and on the creation of the Public Broadcasting Service (PBS), National Public Radio (NPR), and the first entire satellite interconnection system in broadcasting. With Congressional approval of the final installment for satellite replacement, the second generation satellite interconnection system will be ensured well into the next millennium without any significant diversion of public broadcasting's programming dollars.

CPB appropriations also enable the Corporation to help develop such technologies as the use of closed-captioning for the hearing-impaired; enable stations to bring educational programming into 64,000 schools and 3,000 colleges and universities; promote the linkage of video programming with computer programming; and, most recently, spur the development of the Descriptive Video Service (DVS) which allows the sight-impaired to lock-in on the wonders of television by providing actual narrative description, thus bringing us even closer to our goal of serving all audiences.

The benefits of this infrastructure now reach 94-percent of the U.S. population in the case of public television (as compared to 55-percent in cable), and 86-percent receive public radio signals. During an average week, 101 million people view public television, and nearly 12 million listen to public radio.

III. CPB'S STEWARDSHIP OF FEDERAL APPROPRIATIONS

How exactly does the Corporation maximize the return on the public investment through Congressional appropriations? Or, put another way, what measures and initiatives are being taken by CPB to ensure that the public trust is being kept and the mission of public broadcasting vigorously pursued?

A. Direct Grants to Qualifying Stations

The bulk of CPB's appropriation is expended in the form of Community Service Grants (CSGs),[2] for the use of public radio and television stations which first must raise substantial non-federal support on their own and then meet other basic criteria.

In addition to CSGs, CPB provides program grants to public radio stations, in the form of National Program Production and Acquisition Grants (NPPAGs),[3] to use at their discretion to produce or buy national programming.

B. CPB Program Development and Community Outreach

The most direct and visible method of the Corporation's efforts to further the mission of public broadcasting is through CPB's Radio and Television Program Funds which provide funding for public radio and television programming that reflects national programming priorities, particularly for children and minorities. Each year CPB considers proposals from independent producers and public television stations through an Open Solicitation process. Through the TV Program Fund, CPB has initiated many of public television's hallmark series and programs, including: Frontline, American Playhouse, the MacNeil/Lehrer NewsHour, WonderWorks, and The American Experience. CPB continues to support these and other signature programs such as Great

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[2] The portion of CPB appropriations allocated to CSGs is set by law and is currently 66.24 percent. During the 1980s this percentage was raised by Congress from 59 percent, in part to soften the effect on stations of sharp reductions in CPB appropriations during the early 1980s. CSGs are used by television and radio stations to produce and acquire programming and to finance production equipment and facilities or pay for satellite interconnection services. During Fiscal Year 1993, CSGs are projected to be $188.8 million, based on an appropriation of $285 million.

[3] In Fiscal Year 1993, CPB will award approximately $14.7 million (or 5.2 percent of the CPB appropriation) to public radio stations in the form of NPPAGs.

Performances as well as identifying and nurturing new and diverse programming. Radio programs initiated and supported by CPB include: Marketplace, Latin File, Fresh Air, Morning Edition, and All Things Considered. In addition, CPB is the leader in supporting multi-cultural productions. In 1989, 39 percent of the Corporation's discretionary dollars for programming, through the CPB Television Program Fund, went to multi-cultural, people-of-color programs. This year, during the first round of Open Solicitation, the Corporation has received 491 proposals, 155 of which are from minority producers.

One of the most exciting features of CPB's Television Program Fund is the community outreach efforts to involve and inform viewers on important social issues. The Public Television Outreach Alliance, which CPB helped create and continues to fund, has focused attention and generated community action on such issues as drug and alcohol addiction, child abuse, the critical need for childcare, AIDS and, in 1990, the environment.

Another major outreach programming effort supported by CPB is Project Literacy U.S. (PLUS) which combats illiteracy among the 27 million functionally illiterate adults in this country. Since its inception in 1986, the personal support and active involvement of now First Lady, Barbara Bush, has been vital to the success of PLUS.

In 1989, public television stations and AIDS prevention organizations nationwide joined forces in an awareness and outreach campaign to help communities better understand and cope with the AIDS epidemic. The project, America in the Age of AIDS, with major funding from CPB, was the largest of its kind ever mounted by public television.

Also, when health officials noted an alarming increase of AIDS in teenagers, CPB and the Outreach Alliance sponsored a nationwide High School AIDS Education Video Contest in order to better inform this historically difficult to reach group of the risks associated with AIDS. The effects of this outreach effort were overwhelming. Local high school students nationwide entered videos with 38 reaching the finals and nine incorporated into a 25-minute AIDS education video and teacher guide called, "STOP AIDS!" which was then distributed to more than 2,000 high schools and community agencies across the nation. But it didn't stop there. To date, more than 120 commercial television stations have requested copies of the video or video release clips for use in their news broadcasts.

This year, CPB has brought on board to work with public television five major educational groups representing 8.6 million educators and parents in support of "**OPERATION EARTH**," a year-long focus on the environment.

C. CPB Educational Efforts

Mr. Chairman, there is one area of CPB's operations which deserves particular mention: CPB's education activities. CPB, in cooperation with the Public Broadcasting Service, regional networks and local stations has developed an effective network of alliances with educators, businesses, and community groups to provide the tools to help learners of all ages:

- Instructional programming. CPB has funded more than 20 instructional television (ITV) programs and series for K-12 classrooms;
- Instruction via satellite. The Satellite Educational Resources Consortium (SERC), a partnership between CPB, public television and state education departments, will deliver more than 1,900 hours of live interactive instruction this school year to high-school students in 19 states and four communities;
- Adult learning and illiteracy. CPB's and public television's commitment to lifelong learning includes offering educational programming targeted to adults who need to certify educational competence (G.E.D. on TV), as well as programs aimed at increasing literacy for Americans of all ages;
- Study guides and educational materials. CPB and local stations provide teachers and parents with materials that help teachers use programming effectively, such as instruction and study guides, support materials, and video; and,
- Raising awareness. CPB has implemented a major initiative to increase the awareness of teachers and parents of the value of public television as a teaching tool.

D. CPB Accountability for Federal Dollars

Besides the more visible achievements of CPB's Television Program Fund and its educational efforts, the Corporation must maintain accountability for federal dollars. As stewards of the public trust, CPB has developed business practices that ensure efficient and effective expenditures of tax dollars through the internal and external auditing system of CPB-funded stations, programs, and activities.

E. CPB Research and Planning

CPB also conducts critical research and planning on national goals and priorities for programming needs (the creation of the Public Television

Outreach Alliance and the development of the successful business plan for National Public Radio are only two examples of the value of this planning); collects public broadcasting data for analysis; maintains the strength and public commitment of the system of public stations through management training, particularly women and minorities; promotes audience expansion through the Radio Expansion Task Force and the CPB-funded Public Participation Project.

IV. THE NEED FOR A CONTINUED STRONG FEDERAL INVESTMENT

A. Satellite Replacement

An essential element of maintaining the vitality of public broadcasting is the replacement of the satellite interconnection system. This system, which was constructed mostly with federally appropriated funds in the late 1970s, has for the past 14 years provided public broadcasting with a low-cost, efficient, flexible, and dependable means of distributing programming. The system will reach the end of its useful life when the satellite runs out of maneuvering fuel in fiscal year 1991.

At that time, most of the ground equipment used by public television will be nearly 15 years old and will need to be replaced as the rate of equipment failure increases. Public radio's equipment will also be aging. Having this replacement satellite system in place is critical to the ability of public television and radio to continue delivering quality programs that serve a wide range of needs, interests, and audiences, and provide the flexibility to local stations to tailor their programming schedules to meet local needs.

Failure to appropriate the full level of authorized funds for satellite replacement will force the public broadcasting system to divert scarce resources away from programming and into satellite replacement.

B. CPB's Plan for Financing Public Television Programming in the 1990's

Mr. Chairman, I am pleased to report that CPB has met Congress' directive that a plan be developed, in consultation with the Public Broadcasting Service and public television stations, to improve national public television programming. In meeting this challenge, CPB and the presidents of the national public television organizations have agreed upon a dramatic change in the way national programming is financed. In developing the plan, CPB sought to balance the need to strengthen national programming with the imperative of maintaining accountability to the Congress and the public for the appropriate use of federal funds which are the centerpiece of the plan.

While the plan can make public television funding more efficient and give the public even better value for its investment, there remains a fundamental unmet need. That need is the long-standing and continuing requirement for more adequate and stable funding for public television. It is CPB's hope that the efficiencies realized from this plan will create an increased climate of confidence in the effectiveness of financial support for public television. CPB further hopes that such confidence will encourage Congress, on behalf of the public, to make the additional investment in funding so that public television can further improve the quality service it provides to all Americans.

C. Radio Expansion

During the CPB reauthorization, Congress made clear its intent that CPB continue to lead the expansion of public radio in order to make its services available to as many Americans as possible. Last month, after conducting a year-long study in collaboration with public radio station representatives to determine possible methods of assisting in efforts to expand the reach of public radio while maintaining the strength and service of the current public radio stations, CPB adopted a plan to establish two new radio station grant programs, two new expansion-related projects and the extension of certain existing CSG grantee benefits to expansion stations. While CPB and public radio are fully prepared to make this effort a reality, full implementation of the plan without placing existing stations at risk will not be possible without the level of support necessary to match the goals discussed during reauthorization.

In FY 1992 CPB appropriations were nearly $14 million below the authorized levels. For FY 1993, the Administration recommends a level more than $25 million below the authorization. Without a full appropriation of $285 million, one of the more immediate effects surely will be a need to scale-down this expansion until necessary resources are secured in later years. Furthermore, the more costly development of new programming necessary to sustain the expanded system underscores the importance of an affirmative and long-term federal commitment.

V. SAFEGUARDING THE FEDERAL INVESTMENT

Mr. Chairman, public broadcasting is justifiably proud of these achievements and confident that it is positioned to redouble its commitment to the nation's educational efforts and the resolution of its pressing social problems. The Corporation believes, however, that these dividends can be realized only with the public's full commitment -- one that allows public broadcasting to unleash its full potential to address the new decade's challenges. To do so will require facing the realities of those challenges. Already we are looking toward high definition television (HDTV), fiber optic cable, and the expanded use of direct broadcast satellites. We now face these and other advances in technology in this decade and beyond. But it is clear that we cannot meet them if we continue to inch along behind the rate of inflation.

In 1982, CPB received appropriations of $172 million. In 1992, CPB will receive $251.03 million. Using 1982 as a base year, this means that the purchasing power of the 1992 appropriation is equivalent to $177.1 million, or an increase of three percent in real dollar terms. This compares to the increase in the public broadcasting system from 557 stations in 1982 to 726 stations in 1992, a system increase of 24 percent. During the same period, technological advances and competitive pressures resulted in an infusion of billions on the commercial side, requiring public broadcasting to expend proportionately more as production acquisition and promotion costs soared. In an attempt to pick up at least part of the slack, Congress began to divert more of the CPB appropriation from technology development, training, research and other initiatives to increase the portion earmarked for station and program support, thus limiting the Corporation's future ability to stimulate the development of such projects as closed-captioning and descriptive video for the sight-impaired.

Today, scarce resources even limit public broadcasting's ability to continue to offer the type of signature programming that is necessary to sustain individual donors and corporate underwriting support. Some commentators point out that these types of programs are available on commercial outlets. It is true that often choice quality productions are cherry-picked and offered as loss leaders by commercial and cable broadcasters who wrap themselves in the virtue of those programs but intersperse them amidst commercials and standard fare of a decidedly lower quality. In this matter, at least, failure to acknowledge market threats to the public investment may well lead to jeopardizing the viability of the only system that is universal, consistently public service-oriented, commercial-free and, of little cost to the American public. In short, it is the only broadcasting bargain available to all Americans.

Finally, in FY 1990, despite the provisions of the Public Broadcasting Act that provided for long-range authorizations, advance appropriations and single payments out of the Public Broadcasting Fund, CPB's appropriation was subjected to sequestration under the terms of the Gramm-Rudman-Hollings legislation. As a matter of law, it is CPB's position that its appropriation should not have been sequestered at all, but more than $12 million was withheld initially. On February 2, 1990, all but $3.257 million was returned, resulting unfortunately in a permanent loss of these funds and an additional $255 thousand in lost interest.

Mr. Chairman, as a matter of the Congressional intent and public policy expressed in the Act and in all its legislative history, it is clear that CPB should not be subject to the vagaries of yearly budget reductions which can have an immediate impact on the First Amendment protected activities that CPB supports. It is CPB's hope that Congress takes note of the fact that CPB's financing was specifically structured to avoid just the kind of budget uncertainty that this year's sequestration created.

CONCLUSION

For these reasons, Mr. Chairman, CPB must request the full appropriation of $285 million for FY 1993. This level, together with the final installment on satellite replacement of $66.94 million will position public broadcasting technologically and programmatically to meet its mission of providing alternative, diverse and quality programming to as many stations and audiences as possible, assist in the nation's educational challenges, provide outreach on pressing social issues and renew the public commitment to facilitate the development of public broadcasting through research, technology and training.

In the past, this Committee has taken the lead and the risk by appropriating funds to CPB in response to our requests. I do not believe we have ever failed to deliver more than we have promised in those requests. I assure you that we will continue to do our best to continue that record.

Thank you. I shall be pleased to respond to any questions you may have.

APPENDIX

THE WASHINGTON POST TELEVISION GUIDE

CHILDREN'S FARE

1/20/90

SUNDAY

7:00 a.m. on 7
WEEKEND SPECIAL. "Cap'n O.G. Readmore's Puss in Boots."
8:30 a.m. on 22/67
ZOOBILEE ZOO. Bravo comes down with a bad case of the flu.
9:00 a.m. on 26
SHINING TIME STATION. When Matt, Tanya, Stacy and Harry spend the night at the station, Schemer plans to frighten them.
9:30 a.m. on 26
READING RAINBOW. "The Patchwork Quilt"; quilting. (CC)
9:30 a.m. on 32
OWL/TV. Rescuing injured pelicans; a leaf-cutter bee.
10:30 a.m. on 26
NEWTON'S APPLE. DNA and genetic engineering; seahorses.
10:30 a.m. on 32
DEGRASSI JUNIOR HIGH. Kathleen's drunken mother interrupts practice by the quiz show team. (Part 20 of 26) (CC)
12:00 Noon on 5
WONDERFUL WORLD OF DISNEY. "Ghost of Cypress Swamp."
6:00 p.m. on 5
WONDERFUL WORLD OF DISNEY. "Daniel Boone" (1960)
7:00 p.m. on 2 and 4
MAGICAL WORLD OF DISNEY. "Exile." A group of teen-age students become stranded on a jungle island. (CC)
7:00 p.m. on 32
WONDERWORKS. "Taking Care of Terrific."

MONDAY

11:30 a.m. on 22/67
MATHNET: THE CASE OF THE SWAMI SCAM. "Square One Television." Monday and Frankly pursue a swindler. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Mathnet moves to New York City.

TUESDAY

12:30 p.m. on 26
WONDERWORKS. "The Wild Pony." (CC)
4:00 p.m. on 11
SCHOOLBREAK SPECIAL. "Flour Babies." Drama based on a San Francisco classroom experiment, designed to promote teen-age sexual responsibility, in which students were given a bag of flour to care for as if it were a baby. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Jannette Nelson and Eddy MacDonald sing "Why Do I Love Math?" (CC)

WEDNESDAY

12:30 p.m. on 26
WONDERWORKS. "Quest Beyond Time." (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Beazly finds the secret number.
7:30 p.m. on 22/67
DEGRASSI HIGH. (Season Premiere) Erica is pregnant. (CC)
8:00 p.m. on 22/67
DEGRASSI HIGH. Joey encounters his nemesis Dwayne. (CC)

THURSDAY

12:30 p.m. on 26
WONDERWORKS. "The Paper Boy." (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. The Fat Boys rap about time. (CC)

FRIDAY

12:30 p.m. on 26
WONDERWORKS. "Maricela" A 13-year-old girl from El Salvador tries to fit into her new surroundings in California. (CC)
4:00 p.m. on 32
SHINING TIME STATION. An old friend of Harry's visits.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. "Piece of the Pie" game show. (CC)

SATURDAY

9:00 a.m. on 22/67
DEGRASSI JUNIOR HIGH. Wheels and Spike worry about not graduating. (Part 26 of 26)
5:30 p.m. on 22/67
NEWTON'S APPLE. Industrial Light and Magic; vultures. (CC)
8:00 p.m. on 22/67
WONDERFUL WORLD OF DISNEY. "This Is Your Life, Donald Duck." Jiminy Cricket is the master of ceremonies.

CHILDREN'S FARE

1/27/90

SUNDAY

9:00 a.m. on 26
SHINING TIME STATION. With the railroad closing the station, the children must leave. (CC)
11:30 a.m. on 22/67
SHINING TIME STATION. Schemer's jokes backfire. (CC)
12:00 Noon on 5
WONDERFUL WORLD OF DISNEY. "Track of the Giant Snow Bear" (1970) John McIntire. A polar bear cub becomes an unwieldy pet for an Eskimo boy who saves its life.
7:00 p.m. on 2 and 4
MAGICAL WORLD OF DISNEY. "Winnie the Pooh and the Honey Tree" Animated. Winnie the Pooh needs help from his friends after he gets into trouble looking for honey. (CC)
7:00 p.m. on 26
WONDERWORKS. "Sweet 15." Marta sets out to help her father become an American citizen. (Part 2 of 2) (CC)
7:00 p.m. on 32
WONDERWORKS. "The Canterville Ghost." A ghostly visitor plagues an American family living in an old English mansion. (CC)

MONDAY

11:30 a.m. on 26
ZOOBILEE ZOO. The Zoobles get new jokes from Laughland.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. "The Parking Meter Massacre."

TUESDAY

4:00 p.m. on 32
VOYAGE OF THE MIMI. Using the computer, the crew conducts a whale census; a visit to the Smithsonian Institution. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Tracking down the number nine.

WEDNESDAY

11:30 a.m. on 26
ZOOBILEE ZOO. The gang learns a lesson in teamwork.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Estimating how many ping pong balls would fit in Michigan Stadium. (CC)

THURSDAY

12:00 Noon on 22/67
NEWTON'S APPLE. Learning how movie special effects are created at Industrial Light and Magic; vultures. (CC)
4:00 p.m. on 13
AFTERSCHOOL SPECIAL. "All That Glitters." Marc Price and D'Ondre Whitfield. When a high-school class starts a cookie company, some students resort to unethical business practices.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Dirk shows Fluff and Fold how to round prices to the nearest 10. (CC)

FRIDAY

11:30 a.m. on 26
ZOOBILEE ZOO. A magic ring brings trouble to Whazzat.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Game show contestants attempt t identify the truthful panelist. (CC)
8:00 p.m. on 5
WONDERFUL WORLD OF DISNEY. "Lefty." A collegiate gymnast with only one arm prepares for the national championships until she's injured. Based on a true story.

SATURDAY

9:00 a.m. on 22/67
I HAVE AIDS — A TEEN-AGER'S STORY: A 3-2-1-CONTACT EXTRA. Focuses on 16-year-old hemophiliac Ryan White, who contracted the disease through a blood transfusion. (CC)
5:30 p.m. on 22/67
NEWTON'S APPLE. Dr. Allen Van Beek demonstrates microsurgery techniques for reattaching severed limbs. (CC)
6:00 p.m. on 32
RAMONA. Beezus teases Ramona for wearing her new pajamas under her clothes to school. (Part 6 of 10) (CC)
7:00 p.m. on 22/67
FAERIE TALE THEATRE. "Snow White and the Seven Dwarfs." Elizabeth McGovern and Rex Smith.
8:00 p.m. on 22/67
WONDERWORKS. "Prince Caspian and the Voyage of the Dawn Treader." (Part 1 of 3) (CC)

CHILDREN'S FARE

SUNDAY 2/3/90

9:00 a.m. on 32
SQUARE ONE TELEVISION. Identifying the truthful panelist.
9:30 a.m. on 32
OWL/TV. A llama's birth; water pressure; a bubble spider.
10:00 a.m. on 32
SHERLOCK JONES AND PROCTOR WATSON. Sherlock and Proctor use radio technology to catch a group of cheaters. (CC)
11:00 a.m. on 22/67
MISTER ROGERS. Tom O'Horgan displays unusual instruments.
11:30 a.m. on 22/67
SHINING TIME STATION. Matt and Tanya make a wrong decision when they keep a lost saxophone. (CC)
12:00 Noon on 22/67
LONG AGO & FAR AWAY. "The Man Who Planted Trees." (CC)
6:30 p.m. on 26
DEGRASSI HIGH. Michelle's parents divorce. (CC)
7:00 p.m. on 26
WONDERWORKS. "Prince Caspian and the Voyage of the Dawn Treader." Prince Caspian flees his evil uncle. (Part 1 of 3) (CC)
7:00 p.m. on 32
WONDERWORKS. "Sweet 15." This family anthology series' sixth season opens with preparations for a Mexican-American girl's "quinceanera" celebration. (Part 1 of 2) (CC)

MONDAY

8:30 a.m. on 26
MISTER ROGERS. A Bass Violin Festival. (CC)
4:00 p.m. on 32
NEWTON'S APPLE. Supercomputers research auto crashes.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. "The Case of the Unkidnapping."
5:30 p.m. on 26 and 32
3-2-1 CONTACT. A sheepshearing class. (CC)

TUESDAY

8:30 a.m. on 26
MISTER ROGERS. Cellist Yo-Yo Ma performs. (CC)
4:00 p.m. on 11
CBS SCHOOLBREAK SPECIAL. "Girl With the Crazy Brother." A teenager attending a new school struggles to cope when her brother is diagnosed as schizophrenic. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Descartes talks about a marathon's Cartesian coordinates. (CC)
5:30 p.m. on 26 and 32
3-2-1 CONTACT. Anitha observes new rubber-tree growing methods at Malaysia's Rubber Research Institute. (CC)

WEDNESDAY

8:30 a.m. on 26
MISTER ROGERS. Ella Jenkins teaches a clapping game. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. A turn's angle of rotation. (CC)
5:30 p.m. on 26 and 32
3-2-1 CONTACT. Comparing a "Brangus" calf to its parents.

THURSDAY

12:00 Noon on 22/67
NEWTON'S APPLE. Microsurgery; how a strobe light works.
4:00 p.m. on 32
PERKINS FAMILY. Chris reads her sister's diary.
5:30 p.m. on 26 and 32
3-2-1 CONTACT. Automatic cow milkers. (CC)

FRIDAY

5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. A problem involving tooth brushing.
5:30 p.m. on 26 and 32
3-2-1 CONTACT. Mass-production chicken farming. (CC)

SATURDAY

5:30 p.m. on 22/67
NEWTON'S APPLE. The national air traffic control system. (CC)
6:30 p.m. on 32
LONG AGO & FAR AWAY. "The Talking Parcel." A girl, a parrot and a toad must overcome evil serpents to free a wizard. (Part 1)
7:30 p.m. on 32
DEGRASSI HIGH. Arthur develops a crush on Caitlin. (CC)
8:00 p.m. on 22/67
WONDERWORKS. "Prince Caspian." (Part 2 of 3)

CHILDREN'S FARE

SUNDAY 2/10/90

9:00 a.m. on 26
LONG AGO & FAR AWAY. "The Reluctant Dragon." (CC)
9:00 a.m. on 32
SQUARE ONE TELEVISION. A problem about tooth brushing.
10:00 a.m. on 32
SHERLOCK JONES AND PROCTOR WATSON. Proctor is among the missing when the neighborhood's dogs begin to disappear.
12:00 Noon on 22/67
LONG AGO & FAR AWAY. "The Silver Comet." (CC)
6:30 p.m. on 26
DEGRASSI HIGH. Arthur develops a crush on Caitlin. (CC)
7:00 p.m. on 2 and 4
MAGICAL WORLD OF DISNEY. "Disneyland's 35th Anniversary." Mickey, Donald, Tony Danza and the "Cheers" cast.
7:00 p.m. on 26
WONDERWORKS. "Voyage of the Dawn Treader." (Part 2 of 3)

MONDAY

9:00 a.m. on 26
SESAME STREET. Grover teaches about smoke alarms.
3:30 p.m. on 22/67, 4:30 on 32
MISTER ROGERS. Different ways to play. (CC)
4:00 p.m. on 32
NEWTON'S APPLE. A parachute jump; baby orangutans. (CC)
5:00 p.m. on 22/67
ROTTEN TRUTH. "A 3-2-1 Contact Extra." The growing garbage crisis. Host: Stephanie Yu. (CC)
5:00 p.m. on 26 and 32
SQUARE ONE TELEVISION. A plane is stolen. (CC)

TUESDAY

9:00 a.m. on 26
SESAME STREET. Ruby does many experiments. (CC)
3:30 p.m. on 22/67, 4:30 on 32
MISTER ROGERS. Eva Kwong's grandmother makes dumplings.
4:00 p.m. on 32
VOYAGE OF THE MIMI. The crew sees a film on whales. (CC)
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Dirk Niblick saves the Boobalahs from a dishones[illegible]ager. (CC)
5:30 p.m. on 32, 5:50 p.m. on 26
3-2-1 CONTACT. [illegible]hy learns how clay is made into toilet bowls.

WEDNESDAY

9:00 a.m. on 26
ZOOBILEE ZOO. Whazzat and Talkatoo embark on a camping trip.
3:30 p.m. on 22/67, 4:30 on 32
MISTER ROGERS. Mr. McFeely visits a rocking horse factory.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Blackstone's math magic. (CC)
5:30 p.m. on 32, 5:50 on 26
3-2-1 CONTACT. [illegible] glass can be shaped through heating.

THURSDAY

9:00 a.m. on 26
SESAME STREET. Bob reads "Three Jolly Monsters." (CC)
3:30 p.m. on 22/67, 4:30 on 32
MISTER ROGERS. The birth of a kitten; poet May Sarton.
4:00 p.m. on 32
PERKINS FAMILY. Concerned about Matt, Tracy seeks advice.
5:00 p.m. on 22/67, 26 and 32
SQUARE ONE TELEVISION. Superspy creates a number code.
5:30 p.m. on 32, 5:50 on 26
3-2-1 CONTACT. Makeup artist Norman Bryn. (CC)

FRIDAY

11:30 a.m. on 26
ZOOBILEE ZOO. The gang befriends a hearing-impaired zooble.
3:30 p.m. on 22/67, 4:30 on 32
MISTER ROGERS. A playground built by adults and children.
5:30 p.m. on 32, 5:50 on 26
3-2-1 CONTACT. The "Bionic Bat," a human-powered aircraft.

SATURDAY

5:30 p.m. on 22/67
NEWTON'S APPLE. How clouds form; a Rube Goldberg contest.
7:30 p.m. on 32
DEGRASSI HIGH. Erica learns who's been writing on her locker.
8:00 p.m. on 22/67
WONDERWORKS. "Voyage of the Dawn Treader." (Part 3 of 3)

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I. UNDERWRITING OF PUBLIC TELEVISION

As you know, last year I raised the issue of the expansion of the recognition given to underwriting by public television stations. While I realize that the FCC regulations govern this practice, I continue to be concerned about this problem -- which appears to be worsening. Frankly, the recognition I have seen for Pepsi looks suspiciously like a commercial to me.

* **What has been the reaction of public television stations to the guidelines proposed by the Public Broadcasting Service governing the manner in which funders of PBS programs may be credited on the air? Are they complying, complaining, or ignoring those guidelines?**

A. PBS uses two sets of guidelines for the content of on-air underwriting credits --

- one for announcements that acknowledge national underwriters of the production costs of programs that PBS distributes, and
- the other for announcements that acknowledge local underwriters of an individual station's acquisition or transmission costs.

In substance, the two sets of guidelines -- which were last modified in 1988 -- are quite similar, and they comply with the FCC's formal guidelines. In fact, some of PBS' objective guidelines are markedly stricter than the rules set down by the FCC. For example, PBS does not permit the mention or display of underwriters' telephone numbers, and requires that all messages be no more than 15 seconds in length.

In practice, however, the results may differ for the two sets of PBS guidelines. The national guidelines are mandatory; programs will not be distributed by PBS unless the underwriting credits are determined by PBS staff to have met the guidelines. The local guidelines are statements of recommended practice; their application remains voluntary for any individual licensee, but, even more important, their application is necessarily subject to local variations in interpretation.

PBS reports little demand from member stations for changes in either set of guidelines. They also report an increasing number of requests from member stations for advice on how to apply the voluntary local underwriting guidelines. There is no formal compliance monitoring, but PBS also reports increased conformance with the most easily discernible characteristics of the credit messages, e.g., length of message.

Interpretation of how to apply the guidelines when a message complies fully with objective criteria but still may have a hint of commercialism continues to produce occasional differences of opinion. The challenge for public television is to strike a proper balance between two (sometimes divergent) aspects of Congress' mandate to public broadcasting: encouraging nonfederal

EDUCATION ON THE DRUG PROBLEM

Senator SPECTER. Thank you.

I have just been notified that Senator Byrd has convened a meeting of Senators from seven States on the clean air legislation which is moving along very fast behind the scenes. I am going to have to adjourn this meeting in a moment or two, but let me direct a few questions.

Has public broadcasting taken some specific action with respect to education on the drug problem?

Mr. LEDWIG. We have, Mr. Chairman. Initially, we were instrumental in forming the Outreach Alliance which created a number of programs focusing on the drug problem. We also were fortunate to obtain the involvement of Mrs. Reagan bringing attention to the drug programs on public television.

Senator SPECTER. What is currently being undertaken in drug education?

Mr. LEDWIG. Through the Outreach Alliance public television and radio stations continue to develop programs and focus attention upon this important subject.

Senator SPECTER. Can more be done?

Mr. LEDWIG. More can be and is being done through the Outreach Alliance.

Senator SPECTER. What specifically do you have in mind now to increase your drug education programming?

Mr. LEDWIG. More specifically, we have a series of programs that has been appearing on the "FrontLine" series, and we continue through the outreach——

Senator SPECTER. How much of your time for programing is devoted to drug education?

Mr. LEDWIG. I do not know the precise figure that would be devoted specifically to drug education but would be pleased to provide it for the record.

[The information follows:]

Drug Education

While CPB does not have financial breakouts on per-episode costs, major national programs supported by CPB have addressed the drug crisis in the past year. These include: The MacNeil/Lehrer Newshour, Frontline, and DeGrassi Junior High. Other series on PBS which have also addressed the subject include Washington Week in Review, Firing Line, and Tony Brown's Journal, as well as the recently broadcast four-part series Hard Drugs, Hard Choices, a Media and Society Seminar.

Once embarked upon a pressing social issue such as drug and alcohol abuse, public television has the ability to sustain its attention to a topic over a period of years. A key example is The Chemical People, a major program and outreach effort which, in 1983, predated the CPB founding of the Public Television Outreach Alliance. Through the National Media Outreach Office at WQED-TV, Pittsburgh, public broadcasting has continued to service the 8,000 Chemical People Task Forces that were created in local communities at that time. With continued underwriting from Metropolitan Life, an original project underwriter, WQED published "The Chemical People Newsletter." Currently there are over 16,000 on the newsletter mailing list which includes state drug abuse agencies which copy articles and further distribute them to their mailing lists. A recent survey by the Office of Substance Abuse (HHS) showed that "The Chemical People Newsletter" was the second most-used resource among those working in the field of substance abuse. Users feel it brings them up-to-date news based on sound research.

Another example of long-term attention to issues is the recent follow-up to Chemical People II, "Generation at Risk." This outreach campaign, developed in 1987, the first year of the PTOA, dealt with five problem areas of youth—alcoholism, substance abuse, teen pregnancy, suicide and dropouts. At that time, WQED Outreach, with underwriting from Metropolitan Life, mailed copies of a booklet, "Our Troubled Teens," along with a supplementary video, "Generation at Risk," to every secondary school principal in the nation. The goal of this outreach effort was to offer schools suggestions on developing programs which addressed problems of students with destructive behaviors and/or to provide ancillary materials for those schools with programs already in place.

Just completed, in December 1989, is an evaluation of the status of those programs as reported by school principals. A representative sample of schools reported on the following topics:

—Decreases in the problem: 47.2 percent say substance abuse has decreased;

—Programs for at-risk problems: 94.2 percent had programs for substance abuse, 93 percent for alcoholism;

—Outside liaisons with professional service groups, parents, and the community: Most liaisons were with professional service groups, including 72 percent for alcoholism and 74.4 percent for substance abuse; and

—Materials still needed for these programs: posters were the most frequently requested material, 72.8 percent, followed by teacher guides at 61.2 percent; additional video materials such as training tapes, interactive videos and documentaries were desired by about 50 percent of schools.

CPB, WQED, the National Media Outreach Office, and the PTOA will be scrutinizing this study carefully as plans proceed for the 1991 PTOA campaign on the family and youth.

As proposals are evaluated by the CPB Television Program Fund and its panels, attention is always given to the importance of the topic, the role of the program in shedding new light on the issue, as well as the ability of the producer to create a program which will effectively attract the attention of the viewing audience. In addition, particularly with topics of social significance, the Program Fund works with producers to ensure that outreach and community action programs are planned as well as teacher guides, posters, and other materials for classroom use. Producers are urged to obtain school use, and possibly home video rights, for such projects. Ways to integrate these elements into project planning and budgets are suggested to producers as CPB works with them in the developmental stages of proposal submission.

DRUG EDUCATION EFFORTS

Senator **SPECTER**. I would like you to take a look at what you are doing specifically on drugs and tell the subcommittee if you could do more. That is a subject which you ought to take a special look at. I also would be interested to know what you are doing specifically in the area of programming directed to children and what more you could do.

PRISONER EDUCATION EFFORTS

There is a question here from staff on the cassettes available for prisoners. I would like you to give me an answer as to what might be done by way of public television on prisoner education, which is something that we urgently need. What special efforts could be made by public broadcasting on this subject?

[The information follows:]

Video Programs

WQED-TV, Pittsburgh, for Project Literacy U.S. (PLUS), with the support of Mrs. George Bush, is working on a project called "PLUS Correctional Literacy Project: Breaking the Chains of Recidivism." This is a follow-up project to the 1989 booklet, "Learning Behind Bars," which documented a number of successful prison literacy programs. The new project will consist of four video programs targeted to the following groups: (1) judges and lawyers; (2) corrections officials; (3) state and county legislators; and, (4) journalists. Each video will be hosted by recognized authorities in that field. The rationale for these videos is that 90 percent of offenders are released in five years· without basic skills to earn a living they will likely return to prison, as evidenced by a recidivism rate of over 80 percent.

The project is in development at the present time under the partnership of PLUS, the Correctional Education Association (CEA) and the American Bar Association's Special Committee on Law and Literacy (ABA). When finished, the videos will be shown at national conferences and distributed through a variety of types of organizations listed below. No release date has been set.

JUDICIAL, LEGAL, CORRECTIONAL ASSOCIATIONS

American Jail Association.
American Judiciary Society.
Country Bar Association.
National Academy of Corrections.
National Council of Juvenile and Family Court Judges.
National District Attorney Association.
National Juvenile Detention Association.
National State Correction Association.
State and Territorial Bar Association.

STATE AND COUNTY LEGISLATORS

Correctional Officials.
Federal and State Appropriations Committees.
National Conference of State Legislators.
National Governors Association.
U.S. Conference of Mayors.

MEDIA ORGANIZATIONS

American Newspaper Publishers Association.
Association of American Publishers.
National newspaper associations.
National radio writers and producers organizations.
National TV writers and producers organizations.

THE PARTNERSHIP ORGANIZATIONS

American Bar Association.
Correctional Education Association.
PLUS Task Force.

PUBLIC BROADCASTING

Senator SPECTER. Senator Harkin, the chairman of the subcommittee, and I and others are very big supporters of public broadcasting. It is a battle each year to get the funding. We understand your needs, but I would like to have you take a look at the items that I have raised, plus you have mentioned AIDS. I did not hear much about drugs in your prepared text, but I would like to know what more can be done on the specific subjects which I have brought up.

I would like to talk to you longer, but I am going to have to recess the meeting for a few minutes while I go to meet with Senator Byrd on the Clean Air Act.

Just as a one-sentence explanation, it is currently in negotiation, the majority leader is going to call it to the floor. We have been spending a tremendous amount of time on that subject, so I regret that I have to depart, but I will be back as soon as I can.

Thank you.

[A brief recess was taken.]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Specter**. The subcommittee will reconvene. My apologies again, and Senator Byrd sends his regards. I do not know if that will do you any good when the final funding is approved. If we were to solve this Clean Air Act, however, as Senator Byrd's affair, he would probably allocate these seven agencies twice as much money.

There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Agency for response subsequent to the hearing:]

revenue sources and maintaining a noncommercial character. In the PBS guidelines, public television has made the latter preeminent, by virtue of its Rule No. 1: "The overall content and on-air appearance of each credit must be in keeping with the noncommercial nature of public television."

II. CAPTIONING

Last year you indicated that you had begun requiring program producers to caption their programs, and would no longer be subsidizing the captioning out of CPB funds. I was pleased to see that you would be doing so, as captioning is critical for deaf and hearing-impaired persons to enjoy full access to public television.

* **Has that requirement been fully implemented? Has there been any negative impact on program production as a result of the requirement?**

A. CPB has not ceased subsidizing closed captioning of the programs it funds. It simply has changed its policy on the manner in which captioning is funded. In an attempt to encourage increased underwriter support for closed captioning, CPB implemented a policy in Fiscal Year 1989 that requires captioning to be an integral part of each producer's budget. In that way, captioning is assured for all programs that receive CPB support and all underwriters (including CPB) share in the cost. This has been fully implemented and there has been no reported negative impact on program production.

In prior years, captioning was budgeted following completion of production and CPB funded the captioning of as many programs as appropriate and as funding allowed.

* **What percentage of programs now being aired by CPB are captioned? If not 100%, by what date do you anticipate that all programs will be captioned?**

A. The most recent figures that CPB has for programs from all sources aired by public television stations is from Fiscal Year 1988. In that year, 38.8 percent of all public television air time consisted of captioned programming. This represents an increase from Fiscal Year 1986, when 33 percent of all air time was given to captioned programming.

When the analysis is restricted to programs distributed by PBS, 41 percent of all PBS-distributed program hours were captioned in Fiscal Year 1986 (the most recent information on captioned programming made available to CPB by PBS).

If the analysis is restricted only to programs funded by CPB, virtually all of CPB-funded programs are now captioned with the exception of live productions such as the MACNEIL/LEHRER NEWSHOUR.

* **Have you seen any diminution in programming as a result of that requirement?**

A. None whatsoever.

III. RURAL UNSERVED AREAS

Last year you noted that one of the categories of areas that do not have access to a public radio or public television signal are the fast-growing non metropolitan areas, typically regarded as rural areas. You stated that you were consulting with an ad hoc task force comprised of representatives of both public TV and radio as to how to expand service in these areas.

- **What is the status of the work of the task force? What recommendations do they have?**

A. The task force on Public Radio Expansion completed its work recently and CPB incorporated nearly all of its recommendations into a Public Radio Expansion project approved by the CPB Board in January. That plan will be fully operational in FY 1991 with planning and preparatory work underway at the present time. The plan is designed to develop the economic viability of small public radio stations, particularly those operated by minorities, and to expand the operating resources available to these stations. These efforts are expected to expand public radio service to some currently unserved areas and to expand service to areas currently underserved. At present, public radio is available to approximately 86 percent of all potential audiences. While CPB's Public Radio Expansion Project is expected to increase that figure, the exact amount of growth cannot be estimated at the present time.

Public television is currently available to over 94 percent of the country. Service to the remaining unserved areas is frequently limited by technical problems. CPB continues to review ways to expand such coverage wherever practical.

- **Can we expect to see any significant growth in service to these rural areas in the next few years -- particularly once the new satellite is in place?**

A. While there is little room for "significant" growth in either public radio or television because of the level of coverage already in place, efforts are underway to expand this coverage whenever possible. The new satellite system will aid this effort by expanding the number of services available and improve the quality of those services. These enhancements will give potential new stations a broader selection of services to offer audiences, thereby, expanding their potential base of support.

IV. SYSTEM SUPPORT FUNDS

You indicated in your budget justification that you have initiated a System Development Fund to aggregate much of your system support funds and to target those funds to the most needed areas of public broadcasting.

- **How much of your FY '93 system support funds do you intend to place in this Fund and what are the areas on which you will focus with these funds?**

A. In 1988 Congress directed CPB to allocate all earned interest income to programming activities rather than allowing CPB to allocate these funds according to management and Board discretion as had been the policy until 1988. That change forced CPB to cut over $4 million from system support projects that it had been supporting annually. To help the system absorb the loss of these funds CPB created the System Development Fund (SDF).

In FY 1990, the first year these legislative changes were in place, CPB placed $2 million in the SDF, or 42 percent of all CPB discretionary funds (excluding $9 million set aside for music royalty payments and television interconnection support) and put out a request for proposals that would (1) provide targeted training opportunities, (2) increase the availability of public radio programming, and (3) increase and diversify public television's audiences or strengthen station ties to the community. CPB received over $13 million in proposals from this first round of funding. In FY 1991 CPB management has recommended that the level of SDF be raised to $2.3 million. If CPB's full request is appropriated it could increase SDF funding, but the exact amount would depend on other CPB funding commitments against so-called "six percent" funds (by statute, six percent of CPB's appropriation is allocated for projects and activities that support the system), especially commitments for music royalties and television interconnection costs.

The priorities for any FY 1993 SDF funding would be set by the Corporation during that funding year since the program is designed specifically to be responsive to short-term or unexpected events where CPB funds can make a real difference and where other funding sources are not available. Thus, priorities set for FY 1993 will depend on our assessment of system needs in late 1992.

V. FUNDS FOR INDEPENDENT PRODUCTION SERVICE

Your authorizing statute requires that you devote adequate resources to an independent production service for television programming.

- **Can you tell us the status of the IPS, and how much funds you are planning to devote to the IPS for both FY '92 and FY '93?**

A. On September 22, 1989, the IPS was incorporated in the District of Columbia as the Independent Television Service (ITVS), a not-for-profit corporation. Since that time, the Board of Directors has been engaged in start-up activities designed to make the Service fully operational.

As part of this process, CPB is in the last stages of discussions with the ITVS to provide it with $6 million in production funds for FY 1990, 1991 and 1992. In addition, CPB has agreed to provide reimbursement for administrative and promotion expenses during those years so long as they are reasonable and necessary.

- **Since the report accompanying the 1988 Act makes it clear**

that CPB is expected to spend the $6 million it sets aside for the IPS is to be used exclusively for production, can you tell us how much you will be devoting to promotion and overhead cost for the productions of the IPS?

A. Pursuant to our commitment to provide reasonable overhead for the ITVS and consistent with out statutory obligation to approve a plan that is acceptable to CPB, we have offered the ITVS a plan whereby we would provide the ITVS with more than $500,000 a year for the administrative expenses of the ITVS and $600,000 specifically for program promotion of ITVS funded programs in addition to at least $6 million a year in program production funds.

VI. OUTREACH

I understand that CPB devotes approximately $1 million per year on outreach, which in the past has focused on such public policy issues as infant mortality, literacy, AIDS and drug abuse.

* **What are your plans for the coming year?**

A. The outreach focus of the Public Television Outreach Alliance (PTOA) and PBS for 1990 is Operation Earth, details of which are outlined in the answer to a subsequent question from Senator Specter. The PTOA Board will announce its 1991 topic in early April; its focus will be "the family," with special attention to youth. Detailed planning and consultation with experts will continue throughout the Spring and Summer. Although final elements are not yet determined, it is anticipated that this topic will enable the PTOA and individual public television stations to continue to work closely with local and state task forces already established for previous PTOA efforts. These include the PLUS Task Forces, groups interested in child care and the education of the young child, AIDS education groups, and the Chemical People Task Forces.

Research will commence concurrently on topic selection for 1992. This includes searching for topics currently uppermost in the minds of the public, those which lend themselves to both television and outreach, and polls of television station managers.

* **Have you given any thought to outreach efforts to educate the public on the civil rights of Americans with disabilities, once the Americans with Disabilities Act is signed into law?**

A. This topic is one that could be placed into the research for 1992. However, public television is already cognizant of the needs of persons with disabilities. CPB requires closed-captioning for the hearing impaired, and is leading the experimentation in descriptive video service for the visually impaired. Further, in its report to the 101st Congress, "To Know Ourselves," a report on public broadcasting and the needs of minorities and other groups, CPB added those with physical disabilities. Findings showed that those with disabilities wish to be included in all phases of public broadcasting, including on-screen portrayal on a regular basis, as advisors, as staff members and on governing boards of public television and radio stations. They are particularly concerned that those with disabilities appear as an on-going part of continuing series. Public television's children's series are particularly sensitive to this need. SESAME STREET has a hearing-impaired person as part of the regular "street" cast; Fred Rogers often has disabled persons as guests; and READING RAINBOW's percentage of books with disabled characters exceeds the percentage in the population at large.

CPB receives, in its Open Solicitation, many more good proposals on social issues than it can fund. In the first round of 1990 solicitations, almost 500 proposals were received. Currently under consideration are programs dealing with a one-legged tap dancer and his success, and the efforts of the deaf to live normal lives in a hearing world. However the level of competition of excellent proposals in any funding round is such that, realistically, about 15 can receive funding, and in amounts below the level requested. This is simply not enough nationally available programming money to initiate the new programs and series which would be of benefit to the American people. Clearly, this demonstrates the need for additional programming funds in order that documentaries which illustrate the needs of the disabled, as well as other worthwhile proposals, might be funded in greater numbers than is now possible.

VII. FUNDING PLAN

I was pleased to see that CPB, NAPTS and PBS have reported to Congress on a new plan for funding national programs.

- **Could you summarize the findings of that plan for the record?**

A. Section 396(k)(6)(a) of the Communications Act of 1934, as amended, required that CPB: "conduct a study and prepare a plan, in consultation with public television licensees (or designated representatives of those licensees) and the Public Broadcasting Service, on how funds available to the Corporation under paragraph (3)(A)(ii)(II) (CPB's television programming allocation) can best be allocated to meet the objectives of this Act with regard to national public television programming."

Acting on this Congressional mandate, CPB launched a study that would take a fresh look at all national public television program financing, not just the portion represented by CPB's investment. To ensure an objective view, CPB commissioned an experienced private research firm independent of CPB, to consult widely with public television professionals on the problems they saw with national public television program financing.

The most notable finding of this study was that the professionals believed the system's financing problems were systemwide, rather than concentrated at CPB or any other single organization. This finding suggested a systemwide approach to any restructuring of financing.

In the study, respondents cited lack of dollars for national programming as their greatest concern. They also noted problems with the excessive number of sources needed to fund a program, and the lack of coordination among those sources. Survey respondents further noted that raising money under these conditions seriously drained time and effort from their programming work.

CPB also undertook a quantitative study of the sources and uses of financing for national programming. This study revealed that -- despite the perceptions of the public television professionals to the contrary -- total funds invested in the national programming distributed by PBS were not declining. However, it did confirm their complaint that, on the average, a multiplicity of funding sources is needed to finance each program.

The analysis showed that financing for most national programming blends funds from public television's inside sources (CPB and/or the stations) with funds from outside underwriters. This mingling, however, often limits the system's leadership, discretion, and accountability and hinders its ability to take major risks in starting and continuing new programming.

From the study and the financial analysis, CPB articulated a set of criteria to guide it in designing a plan. Any plan should:

- Address national public television financing on a systemwide basis;

- Create an environment of confidence in the system's funding that could attract new monies to address the systemwide perception of a lack of funds;

- Address the perceived lack of coordination and planning on the national level;

- Increase public television's ability to assume a controlling share of financing for programs; and,

- Address concerns identified by Congress during the 1988 reauthorization process.

During the time that CPB was researching and designing this plan, it invited the presidents of PBS and NAPTS to join the CPB president to discuss the plan in a series of meetings. From these meetings emerged a joint recommendation for improving program planning and funding which was subsequently endorsed in principle by the presidents of CPB, PBS and NAPTS.

The plan has five key elements:

1. **A yearly CPB-led assessment of current and potential station audience needs** (that could be addressed with television programming), with public television participation, that will guide the national program financing of PBS and CPB. This process also will include a yearly CPB review of how effectively the needs were met.

2. **A multiyear programming implementation plan**, developed by PBS working in collaboration with the stations and CPB, to

allocate funds toward meeting national programming needs identified through the CPB-led needs assessments.

3. **A sizable concentration of some $100 million in existing program funding at PBS by FY 1992,** including funds contracted from CPB and funds from the PBS member stations put under the control of PBS. The contract from CPB would require that PBS expend the funds to create programming that is consistent with the needs assessment and gives adequate remedies to CPB if PBS fails to expend the funds appropriately or prudently and accountably.

4. **A continued strong developmental role for CPB through the CPB TV Program Fund.** CPB's primary responsibility will be new program development in support of the results of the needs assessment and the multiyear program implementation plan. In this role, the CPB TV Program Fund will concentrate on funding and developing individual programs or series that are new to public television. Once these programs have been established, the CPB TV Program Fund will have no commitment to provide continuing financing.

5. **A yearly CPB-led evaluation of public television's national programming performance,** to see how effectively the needs stated by the needs assessment at the start of the year were met and to determine which ones should be carried over to the needs assessment process for the coming years. That evaluation which will include a review of the totality of all suppliers of funding and programs to the national schedule, and will serve as one of the bases for determining if CPB continues to provide funds to PBS. In addition, PBS will review its performance through the oversight and evaluation role to be performed by the PBS National Program Policy Committee.

Because the plan is a major departure from the current funding structure for national public television programming, it will be launched as a three-year trial from Fiscal year (FY) 1991 through FY 1993. During this period the participants will have an opportunity to make adjustments. However, not until the plan proves satisfactory to all participants will it be installed on a continuing basis.

*** Do you believe it will result in a more effective use of the funds we appropriate?**

A. CPB, with PBS and NAPTS, believes that the new plan for funding national programs will result in more effective and efficient use of Congressionally-appropriated funds in several ways related to each plan element.

1. The plan's objective, rigorous process of public needs assessment improves funding effectiveness in a number of ways.

   First, the public needs assessment will address both audience and station needs. The programming needs identified through the needs assessment will guide CPB, PBS and others in national program financing.

Second, public needs assessment introduces clearer coordination and planning of national program financing.

Third, public needs assessment reenforces an important link between audiences (current and prospective) and program decision makers in public television. The diverse voices of the public will become a regular, integral part of the programming decision process.

2. The plan offers improved effectiveness through its provision for the PBS multiyear program schedule planning process.

   First, this multiyear program schedule planning process brings clarity, direction, and predictability to the national television program scheduling process, just as the needs assessment brings direction and vision to the national programming goal-setting process.

   Second, multiyear schedule planning, with close collaboration between the CPB and PBS programming departments, will enhance coordination and planning between the programming departments of CPB, PBS, major producing stations, and independent producers.

3. The plan also improves program funding effectiveness with the amount of funds to be aggregated for national programming at PBS. CPB funds provided by contract to PBS, coupled with the funds provided by the stations to PBS, will aggregate more than an estimated $100 million by FY 1992 under the direction of the PBS chief program executive.

   This amount of aggregated funding furnishes PBS with the ability to assume the critical share of program financing for programs consistent with the needs identified under this plan. A critical mass of funding such as this is also important in assuring the ability to finance programs that involve creative risk in subject matter or approach, or programming that serves minority audiences or issues -- the kind of programming that in the past has been difficult to fund.

   Besides the programming leverage that this $100 million concentration of funding will bring to the system, this facet of the plan will have another important benefit: It will put the bulk of the station and CPB program funding where it can meet the needs identified in the planning process and be matched directly to national program scheduling.

4. The plan's provision for maintaining a strong program funding role for CPB also contributes to improved effectiveness.

   First, it preserves a current national program financing element that is working well: namely, the experience, expertise, and leading role that CPB has developed over the years in new program development. Out of initial CPB TV

Program Fund support have come some of the most outstanding series in public television -- programs such as FRONTLINE, AMERICAN PLAYHOUSE, WONDERWORKS, AMERICAN EXPERIENCE, and DEGRASSI JUNIOR HIGH, to cite a few.

Second, maintaining the CPB TV Program Fund strikes a necessary balance between the extremes, on the one hand, of consolidating all system funding (whether on CPB, PBS, or another entity) into one source, and on the other hand, of having funding sources too widely and inefficiently dispersed, causing the frustration among producers that was confirmed by the CPB research. Limiting funding pools to two major reliable public television sources strikes that balance, maintaining an element of funding diversity (important for vitality of programming) while streamlining the funding process.

Third, it maintains the most effective and certain method for CPB to meet its accountability to Congress, namely by keeping direct control of a meaningful amount in CPB's TV Program Fund.

Finally, the division of responsibility that maintains a strong role in new program development at CPB capitalizes on CPB's independence from economic pressures that may limit the types of programs that private underwriters -- or even the stations -- will finance. CPB, therefore, is free to concentrate on the total national programming picture as called for in its mission to serve all segments of the public. On the otherhand, since PBS controls the national schedule and its member stations are the gatekeepers to the public, it can assume by contract with CPB, responsibility for financing programs in the PBS national schedule that address needs identified by the needs assessment.

5. The plan's provision for an annual evaluation of programming performance also helps improve the effective use of the Congressional programming funds.

   This annual CPB-led evaluation of public television's national programming performance will examine how effectively the needs stated by the needs assessment at the start of the year were met and to decide which ones should be carried over to the needs assessment process for the coming years. This element of the plan improves effectiveness by offering a degree of control over the process. It gives public television the means to match the actual performance of program financing with planned performance. This evaluation offers a more objective measure of effectiveness, and provides the flexibility to make adjustments as necessary.

VIII. LOCAL PROGRAMMING

The majority of funds appropriated to CPB are directed to local public radio and TV stations for strengthening their local program offerings.

*** How do the increases in funding which you are proposing actually translate into improved services in each state? Let's take Iowa as an example.**

A. The increase in funds requested for FY 1993 would be used to help adjust for cost increases and to expand the services and programs provided to public broadcasting audiences by eligible public radio and television stations throughout the country.

For that portion of funds set aside by Congress for station grants, CPB would be able to increase radio and television community service grants. In Iowa, that would mean that stations represented by Iowa Public Television would receive larger grants, as would the ten Iowa public radio stations currently receiving CPB grants. Stations receiving these enhanced grants would have more funds with which to develop local programs, participate more actively in national social outreach efforts, and acquire national programming for distribution within their local broadcast areas.

In addition, funds added to programming activities would benefit all stations by expanding the quality and selection of programs that they can make available to their audiences. This approach allows stations from low population concentration states such as Iowa to benefit from the economies of scale possible from national program productions. These efforts bring national programming on the arts, public affairs, and children's programming to citizens of Iowa as well as other predominately rural states for literally pennies a week.

Finally, CPB's appropriations are used to cover costs which would otherwise have to be assumed by local stations, such as satellite interconnection costs, distribution costs, and copyright costs.

CPB's FY 1993 request for additional funds would be used to support these programs thus helping local stations absorb the increased costs of producing and distributing quality programs.

IX. SATELLITE INTERCONNECTION FUND

In your budget request, you have again asked for the full amount remaining in the authorization for the Satellite Interconnection Fund, which this year is $66,940,000.

*** Can you tell us the status of your contract negotiations with satellite vendors for both public radio and public television?**

A. Procurements are now completed for the space segments.

Public television. PBS issued a request for proposals from space segment vendors in November of 1987. Responses were received from five vendors.

After preliminary technical evaluation, PBS began negotiations with each vendor. Various combinations of price, service, transition timing, backup arrangements, transponder specifications, transponder frequencies (C-band or Ku-band), and other technical features, were provided by each company. Competitive negotiations with two potential vendors continued through the summer of 1989.

In October 1989, PBS signed a contract with AT&T Communications for up to 6 transponders on the Telstar 401 satellite, scheduled to be launched in February 1993 and to begin service in April 1993. AT&T will lease interim service (between the end of service on the current Westar IV satellite and the beginning of service on Telstar 401) on four C-band transponders on another vendor's satellite and sublet the service to PBS.

Public radio. NPR issued a request for proposals for the space segment in August of 1988. Responses were received from four vendors.

After initial technical review of the proposals, NPR began negotiations with these vendors during the Spring of 1989. A variety of price, service and back-up combinations was provided by each company. Competitive negotiations continued through the summer and autumn.

NPR signed an agreement with Hughes Communications, Inc., on February 28 for two C-band transponders, which will provide up to 14 years of service to public radio.

- **How close to the authorization of $200 million will these contracts actually be?**
- **What is the projected costs of both the ground and space segments for both television and radio?**

A. Cost estimates for both replacement projects total $201.9 million -- $147.9 million for television and $54 million for radio. These estimates are based on television project costs of: $85.0 million for the space segment, $63 million for the ground segment, and project administration costs. For public radio, those estimates are currently: $30.4 million for the space segment, $23.6 million for the ground segment, and project administration costs.

PBS has refined its ground segment design to make more cost-effective use of the space segment capacity and features it had acquired, and to meet the need for providing interactive educational programming, which Congress has highlighted in recent years by funding such projects as the "Star Schools" program. Those Congressional initiatives have encouraged a rapid growth in demand for educational services that could not have been anticipated three years ago, when PBS was making initial decisions on the scope of the replacement system.

The more significant changes for the public television ground segment are as follows:

- The system design now includes VSAT (very small aperture terminal) equipment at the public television stations to permit the additional use of their downlinks for transmitting data signals through "feedback" channels from student to teacher in an "interactive telecommunications network" to be used for distance learning throughout the nation.

- To handle the increase in transponder transmissions over the 15-year life of the new system without substantial escalation of labor costs, the system includes automated scheduling, control, and tape handling systems.

- By appropriate sizing of satellite receiving antennas and the addition of certain electronics equipment, public television may be able to double the number of transmissions per transponder for certain services, thus providing flexibility for future growth. The investment in such ground equipment is a far more cost-effective method of increasing channel capacity than the purchase of additional space segment capacity.

At the urging of the Congressional authorizing committees, public radio also has included in its plans for the second generation satellite system a focus on expanding public radio to serve unserved audiences. One way this has been accomplished is by obtaining sufficient transponder capacity for growth in the number and diversity of programs. In addition, an industry task force has identified a number of existing noncommercial radio stations that are not currently interconnected, which could serve their communities better if they had access to national programming. Matching funds to support downlinks at half of these stations are included in the ground segment cost projections for public radio.

* **Are you projecting any costs to be borne by the federal appropriation for the satellite interconnection fund that were not covered by federal funs in the late 1970s for the first satellite?**
* **If there are such costs, how much do you estimate they will be, and why should the responsibility for such costs now become a federal responsibility?**

A. The types of costs to be borne by the federal appropriation, and the criteria that define the user groups to be interconnected, have not changed since the first satellite projects in the late 1970s. The current replacement projects will serve a larger number of stations because of the growth of the public television and radio systems and because advances in technology dictate that some new types of equipment will be used to deliver the same types of services as were delivered in the first system.

One significant difference stems from the fact that transponder service was originally leased in the first projects, and is being purchased for most of the life of the current projects. Cost items, such as asset insurance, that will be paid directly in the current projects were embedded in the lease prices in the original satellite projects.

X. PAST YEAR BUDGET INFORMATION

In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990:

1. Total salaries and expenses:

FY 1985	$4.6 million
FY 1986	4.7 million
FY 1987	5.4 million
FY 1988	5.7 million
FY 1989	5.9 million

2. Amount of your appropriation that was unused and turned back to the Treasury:

CPB's appropriations is not restricted by year and is fully allocated by statutory formula. Under section 396(k)(1)(D), CPB funds are available until expended.

3. Equipment expenditures:

FY 1985	$127,813
FY 1986	191,415
FY 1987	605,494
FY 1988	216,745
FY 1989	167,655

CPB's equipment expenditures are limited to general office equipment, computer equipment and telephones.

4. Fourth quarter expenditures (all items over $3,000):

FY 1985	$5,166,000
FY 1986	$19,966,000
FY 1987	15,280,000
FY 1988	25,070,000
FY 1989	14,817,000

The vast bulk of CPB spending is done through grants to stations and program producers. While well over half of all spending occurs in the first two quarters, some grants, usually for program productions are expensed over a longer period of time. This timeline is required because CPB rarely is the sole funder of individual programs. As the data show, CPB generally expenses no more than ten to 15 percent of its available funds in the last quarter of a given fiscal year.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

QUESTION:
I understand this year's outreach programming will focus on the environment. Would you give us an idea of what we can expect in the way of specific programs?

A. A number of major series in 1990 have the environment as their major theme. These include, MIRACLE PLANET (January 1990); RACE TO SAVE THE PLANET (Fall 1990) and DECADE OF DESTRUCTION (Fall 1990). The Public Television Outreach Alliance (PTOA) special, PROFIT THE EARTH, will kick off "Earth Week" on April 16, 1990. Many other evening series will include environmental episodes during the year. These include: NATURE, AMERICAN EXPERIENCE, NOVA, SMITHSONIAN WORLD, WILD AMERICA, NATIONAL GEOGRAPHIC SPECIALS, WONDERWORKS, FRONTLINE, and NIGHTLY BUSINESS REPORT among others.

To keep public television viewers informed, each public television station receives calendars of programming and related events throughout the year from the PTOA. These calendars are shared with viewers through station viewer and school newsletters as well as by on-air promotion and other means.

Obviously, we can all stand to learn more about the issues that effect our environment, like acid rain. But as with most everything else, hope rests with our children. Since they are not apt to watch Frontline or similar programs, how are you going to reach them?

A. To ensure that the OPERATION EARTH campaign had the greatest exposure to our nation's youth, the Corporation for Public Broadcasting initiated an exploratory meeting, including five major organizations of educators -- representing 8.6 million educators, elected school officials, and parents -- and five public broadcasting organizations to examine areas of mutual promotion and educational cooperation on this and other projects. The five education groups determined in December to back OPERATION EARTH, and they requested materials, including a poster for classrooms and an environmental tips booklet for use in classrooms and communities. In less than two months time, CPB developed and distributed to these groups and to public broadcasting organizations and stations a sticker and poster backing OPERATION EARTH and a more timeless 16-page booklet titled "SAVE IT! Easy Environmental Tips to Save the Earth." The booklet was designed for use by students, teachers, youth group leaders, community organizations, and individuals. It provides concise information on environmental problems in sections dealing with air, water, land, energy, and shopping. "SAVE IT!" also suggests activities plus dozens of easy tips that can be followed daily by people of all ages who want to make a positive difference on the environment.

Just like the public television programs, CPB's "SAVE IT!" materials cut across various age ranges. For example, environmental themes will be featured in programming for the very young, such as SESAME STREET and MR. ROGERS' NEIGHBORHOOD; for youth in READING RAINBOW and two specials by 3-2-1 CONTACT; in instructional series, such a ICEWALK; in nature-oriented specials -- Survival Specials and National Audubon Society specials; and in a 10-part telecourse called RACE TO SAVE THE PLANET for older students and adults.

Additionally, PBS Encore is offering a summer schedule of programs which stations may use in the daytime hours, traditionally children's viewing time, when their instructional television schedule is not being aired. This includes 13 weeks of programming with repeats of many environmental programs grouped under the topics of "Animals," "People Making A Difference," "The Problems," "Celebrating the Earth" and local productions. The topical repeats include programs from SURVIVAL SPECIALS, NOVA, FRONTLINE, CONSERVING AMERICA, and NATURE among the offerings. The line-up of local productions, secured cooperatively by PBS Encore and KTCA-TV, Minneapolis, are wide ranging, and document local issues from OCEAN DUMPING by Connecticut PTV; ACID RAIN, WVIA-TV, Scranton, Pennsylvania; to ILLINOIS RIVER: CHOKING ON SILT, WTVP, Peoria, among the 41 offerings. Purchase of this program package is optional for stations.

QUESTIONS:

What would be the effect if we were to go along with the Administration's request and appropriate only a total of $180,000,000 for the satellite project?

A.If Congress decided not to appropriate any significant portion of the full cost, up to the $200 million authorized, completing the replacement projects as designed would require public television and radio stations to divert funds away from programming to defray not only the direct costs, but also the interest costs of borrowing funds to pay the direct costs.

Because of the wide diversity among stations in their financial resources, the licensees would have to evaluate collectively the costs and benefits of redesigning the replacement systems to meet available funds or choosing to divert current revenues from other uses.

If the public radio and/or public television systems as a whole decided to scale back their replacement systems, an unfortunate disparity among the nation's public broadcasting stations would be likely to develop. Stations with the financial ability to pay -- perhaps those located in affluent and urban areas -- might be able to adopt the promising and cost-effective new technologies, such as those in television for distant learning, but stations in other areas simply could not afford to do so.

Q. Would $200,000,000 cover the total cost of the project? If not, where would the additional funds be found?

A.We expect that $200 million will cover most if not all of the total cost of the project.

QUESTIONS:
What progress has been made in establishing the independent production service mandated in the Public Telecommunications Act of 1988?

What portion of your FY 1990 appropriation will be used for the independent production service?

A. CPB has allocated $6 million for program production and up to $500,000 for the first year costs of operating the ITVS. Because few, if any, ITVS supported programs are expected to be ready for distribution in FY 1990 CPB has allocated $100,000 for program promotion in FY 1990. However, CPB plans to raise this amount to $600,000 for FY 1991 when more programs are expected to reach completion and be ready for public broadcasting distribution.

The total of $6.6 million allotted to the ITVS is nearly three percent of all CPB appropriated funds for FY 1990 and nearly 15 percent of all funds allocated for television programming.

QUESTIONS:
The Public Telecommunications Act of 1988 directs the Corporation to devote a substantial amount of program development funds to independent producers and production entities, producers of national children's educational programming, and producers of programming addressing the needs and interests of minorities for the production of programs.

What is the Corporation doing to increase minority-oriented programming?

A. The administration of CPB's minority consortia was transferred to the Television Program Fund from the Human Resources Development department mid-year in FY 1989. The staff of the Television Program Fund immediately undertook a budgetary and content analysis of the five existing consortia: Native American Public Broadcasting Consortium (NAPBC), National Asian American Telecommunications Association (NAATA), The Latino Consortium, Magalink Production Center, Inc., and the Pacific Education Network (PEN).

Following extensive review, PEN and Magalink were found to have serious financial accounting and programming deficiencies. Consequently, neither was funded in fiscal year 1989. The other three -- NAPBC, NAATA, and The Latino Consortium -- were subsequently approved for continued funding, and will receive CPB support for two years before competitive renewal for funds goes back into effect.

In order to competitively solicit to replace the PEN and Magalink organizations, CPB issued an invitation for proposals to media institutions in an effort to seek new African American and Pacific Islander Consortia. The Corporation recently announced the awarding of a grant to the National Black Programming Consortium in Columbus, Ohio, as the new African American Consortium. None of the three submissions received for the

Pacific Islander competition were judged at a level sufficient to ensure that the obligations for running a national primetime operation could be met. No award was made, but CPB will hold a meeting in the spring with major producers and broadcasters from the Pacific Island community to devise strategies for nurturing institutions and professionals for future competition.

The existing minority consortia have been assured that under the Television Program Fund, the overreaching philosophy and approach to their activities will be to provide them with the necessary resources and direction that will allow them impact, empowerment, and recognition within national public broadcasting. The creation, nurturing and distribution of national primetime programs for PBS is now to be their primary focus.

Concomitant with the TV Program Fund's initiative to revitalize the minority consortia was Congress' suggestion that at least $3 million be earmarked for minority programming. CPB heeded that request, and went a step further by awarding the existing consortia a grant to conduct a study of how the dollars could be most equitably and effectively distributed.

The consortia created a minority task force made up of independents, system producers and administrators. The final report of that task force recommended that $1 million of the $3 million earmarked for minority programming be given directly to the consortia to allow them to make research and development grants to producers from their respective constituencies. CPB has accepted that recommendation.

Additionally, as part of the recently-proposed National Program Funding Plan, minority consortia representatives will play an active role on the new PBS Programming Policy Committee.

The minority consortia task force also recommended that the TV Program Fund establish a multicultural board that would assist CPB in formulating and maintaining its future minority programming policy. CPB has also accepted this recommendation and minority consortia representatives will be represented on this body as well.

It is our hope that the minority consortia will become one of CPB's most important resources in increasing the quantity of quality minority programming seen nationally on public broadcasting.

CPB's efforts will not center totally around the minority consortia. In Fiscal Year 1989, over 39 percent of the $6 million dollars given to producers through its Open Solicitation process, went to producers of color. Though final decisions have not been made to date on the first round of this year's Open Solicitation, 155 proposals out of 491 came from minority producers or were on subjects that would be of special interest to minority viewers. This unprecedented number signals to CPB that the minority producing community is beginning to believe in CPB's stated priority in minority programming. The Television Program Fund staff has a goal of equalling or exceeding the Open Solicitation minority programming success of last year.

Support for the AMERICAN EXPERIENCE, AMERICAN PLAYHOUSE, GREAT PERFORMANCES, FRONTLINE, THE MACNEIL/LEHRER NEWSHOUR, and WONDERWORKS was reduced in FY 1990 because of the many new demands placed on CPB's programming dollars. Funding for the Public Television Outreach Alliance remained constant. Despite CPB's cutback, however, each of these series continue to receive critical acclaim and some of broadcasting's most prestigious and most competitive awards. The TV Program Fund is ensuring that they maintain strong schedules and also continue their commitment to multicultural programming.

WONDERWORKS, for example, led off this season with the two-hour, SWEET FIFTEEN, Richard Soto's acclaimed dramatic production of a young latina's cotillion. It will also present a three-hour, mini-series about the adventures of a young East African and American boy in Zimbabwe, entitled, AFRICAN JOURNEY.

The AMERICAN EXPERIENCE continued its practice of making multicultural programming a high priority by presenting five out of 16 hours of programming about people of color.

All of the CPB funded major strands deserve mention for their high quality productions and attention to multiculturalism, but perhaps FRONTLINE, the system's premiere news and public affairs documentary series should be the final to be spotlighted in this report for its extraordinary efforts. The series, which was recently awarded the prestigious Columbia-Dupont award for journalism excellence, featured several hard-hitting investigative reports on subjects that would be of special interest to minority communities.

To further the Corporation's interest in supporting activities which result in a clear and measurable difference in the quality and diversity of national programming, the TV Program Fund has initiated several major new initiatives in FY 1990.

March 21-23, CPB will convene a three day meeting, jointly with PBS. The purpose of the conference is to bring together the primetime programming decision-makers and public broadcasting producers with expert speakers and panelists to examine the future of primetime public television in the 1990s. The meeting will examine the changing demographics of America and their relationship to PBS primetime programming. It will look closely at audiences of all ages, races and socioeconomic classes, the aging "baby boomer" population and the increasingly multicultural nature of the potential audience.

The 150 invited participants will include producers of the primetime series, representatives from the independent producing community, the new Independent Service, the minority consortia, program managers and senior staffs of CPB and PBS.

The meeting should result in a much more informed and directed approach to programming and funding for PBS primetime, and offer new mechanisms for a larger and more diverse audience base with quality programming.

To further public broadcasting's tradition of presenting outstanding long-form documentaries, the TV Program Fund has continued previously-announced plans to create a new vehicle for support of contemporary specials. A special panel of film and television programmers was convened late last month to make recommendations on documentary producers who will each be commissioned to create a documentary for national broadcast. Dollars were earmarked at the beginning of the fiscal year, and station, independent and minority professionals were asked to become nominators for individuals whose work they felt could advance the form and explore the future of the documentary.

As a result of the nomination process, 38 producers/directors were invited to submit program concepts on the them "Rediscovering America." Sixteen of the nominees were minority professionals. Though announcements of the three winners of this unique competition have not been made, it is virtually assured that at least one of the awards will go to a producer of color.

How much do you expect to allocate to minority initiatives in FY 1990?

A. CPB has earmarked $3 million of programming funds expressly for the funding of minority programming. It is anticipated that its major programming strands of: WONDERWORKS, AMERICAN EXPERIENCE, AMERICAN PLAYHOUSE, and FRONTLINE, will each spend $1 million or a third of their CPB allocation on minority programming. If the Corporation is as successful this fiscal year as it was in last year's open solicitation, as much as $1.5 million might go to minority projects. Several minority projects are being seeded to become competitive for the Corporation's Challenge Fund process. These are multimillion, major primetime limited series, upon which PBS can build its regular schedule, e.g. EYES ON THE PRIZE.

CPB has always maintained the goal of attempting to achieve a minimum of 20 percent minority programming funding. If processes continue to attract the high quality of minority producers, the Corporation should easily exceed that goal in FY 1990.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

STATEMENT OF JERALD C. NEWMAN, CHAIRMAN

ACCOMPANIED BY:

CHARLES E. REID, CHAIRMAN DESIGNATE

SUSAN K. MARTIN, EXECUTIVE DIRECTOR

MARY ALICE HEDGE RESZETAR, ASSOCIATE EXECUTIVE DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator SPECTER. We now turn to the National Commission on Libraries and Information Science. The National Commission on Libraries and Information Science is a permanent independent agency mandated with the responsibility for advising Congress and the President.

I am willing to waive my introductory statement and turn right to the witnesses.

Mr. NEWMAN. Thank you, Senator.

Senator SPECTER. I turn to Mr. Jerald C. Newman, Chairman of the Commission.

Mr. NEWMAN. Thank you, sir. On my right I have Mr. Charles Reid, who is the new Chairman designate awaiting Senate confirmation. On my left I have Dr. Susan Martin, who is the Executive Director of the Commission. Seated next to her is Ms. Mary Alice Hedge Reszetar, who is the Associate Executive Director of the Commission.

I would also like to introduce from the audience the new Executive Director of the White House Conference, Linda Resnik.

Senator SPECTER. You are all welcome.

Mr. NEWMAN. Thank you.

SUMMARY STATEMENT

I would like to summarize my remarks, of course, and the full testimony is available.

Mr. Chairman, I am pleased to present you with the administration's fiscal year 1991 budget request which totals $770,000. This budget represents a $27,000 increase over the appropriation for the current fiscal year. This amount of funding will allow us to maintain a full staffing level of 10 full-time permanent and 2 part-time positions in order to carry out the programs and the activities of the Commission.

It is critical that the Commission be able to achieve and maintain at least its current basic staffing level and meet our other necessary expenses during fiscal year 1991. This amount allows us to do so only by holding vacancies open for several months in both fiscal years.

We remain committed to working toward the Commission's mandate while also aiming toward full staffing. In order to permit the appropriation of a budget figure higher than our current fiscal year appropriation of $750,000, a set of technical amendments to our enabling legislation have been approved by OMB which will remove the $750,000 cap on appropriations for the Commission.

Our unique mandate, as expressed in the public law as amended, requires the Commission to advise both the President and the Congress on national library and information needs and to coordinate efforts with Federal, State, and local governments as well as with the public and private sectors to achieve the goal of providing library and information services adequate to meet the needs of the people of the United States.

The complexity and comprehensiveness of this mandate when compared with the small size and limited resources require us to concentrate our efforts into carefully selected high priority areas. For the past several years we have worked within four broad program areas: literacy, democracy, productivity, and planning, policy and advice to the Federal Government. Within each of these program areas the Commission typically holds hearings, conducts studies, and works with other appropriate organizations and reports on findings to the President, the Congress, and the library and information community.

Our program of policy, planning, and advice to the Federal Government is concerned with national and international library and information policy issues. Such issues include dissemination of Government information, censorship, freedom of information, Government information in electronic format, appropriate roles of the public and private sectors in library and information, and analysis and comment on legislation relating to library and information science.

WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES

During fiscal years 1988-89 the Commission has been very active in preparing for the second White House Conference on Library and Information Services to be held in July 1991. Commission members serve on the advisory committee, and the Commission has recently announced the designation of the Executive Director for the White House Conference whom I have just introduced to you.

The White House Conference on Library and Information Services was authorized by Public Law 100-382 to develop recommendations for further improvement of library and information services to increase productivity, expand literacy, and strengthen democracy. Some 59 entities including States, territories, Indian tribes, and the Federal library community will participate in this White House Conference and will develop their own preconference activities ranging from regional meetings to Governors conferences.

I might add that I have heard from most Governors of States and territories indicating their enthusiasm and interest in this White House Conference. An amount of $6 million has been authorized for the purposes of the White House Conference, and we have had appropriated to date $4.975 million.

We are very proud of the progress to date in developing activities at the State and territorial level as well as preparing for the White House Conference itself. Fiscal year 1991 will see a high level of activity as the Commission supports this effort for a nationwide library and information services needs assessment on which policies and priorities to take us toward the year 2000 and beyond will be established.

I have also for the record President Bush's greetings to everyone preparing for the White House Conference on Library and Information Services which I would like to be included in the record.

Senator SPECTER. It will be.

[The information follows:]

LETTER FROM PRESIDENT GEORGE BUSH

November 30, 1989

I am pleased to send my warmest greetings to everyone preparing for the White House Conference on Library and Information Services.

If the United States is to remain a global leader in the 21st century, we must keep pace with rapid advances in technology, as well as with increasing trade and commerce between nations. Our ability to stay ahead depends, in large part, on our ability to stay informed.

Today, problems such as illiteracy threaten to undermine our Nation's strength and productivity. That is why we must improve educational opportunities in the United States and why we must meet the information needs of all our citizens -- especially minorities, the elderly, disadvantaged young people, and persons living in rural areas.

I am committed to working with you and with others, both in the public and private sectors, to enhance our nation's library services and information systems. By examining the diverse needs of our population and by exploring ways to make the maximum use of new information technology, we can bring the rewards of learning to more and more Americans and ensure that our Nation's libraries continue to serve as a valuable source of knowledge and training. Most important, improving the Nation's library and information services may be one of the best investments we make in our campaign to end illiteracy in the United States.

My thanks to each of you for your efforts to make this upcoming Conference a success. I look forward to the reports and recommendations that will be issued when the Conference convenes in 1991.

Barbara joins me in saluting your dedication to this great cause -- one that means so much to our nation and is so close to our hearts. God bless you.

G Bush

REPORT ON FEDERAL-STATE COOPERATIVE STATISTICAL PROJECT

Mr. NEWMAN. In addition, I will submit our first report on the Federal-State cooperative statistical project, which was started in fiscal year 1988, which gives the first nationwide statistics on library usage in 44 States and the District of Columbia. This is a new project and for the first time will give what we consider to be valid data on just what library services are available in these States. Since this is the first such collection of data, it will be more complete and precise after the next collection of data in July 1990, when 50 States will be reporting. This is a cooperative Federal and State project between the Department of Education's National Center for Education Statistics, the States, and the National Commission.

Further, sir, I would also like to include a brochure indicating a summary of that project.

[CLERK'S NOTE.—The information is in the subcommittee's files.]

PREPARED STATEMENT

Mr. NEWMAN. Thank you so much.

I am glad that you gave us the opportunity to testify today, sir, and I will be glad to answer any questions you may have.

[The statement follows:]

STATEMENT OF JERALD C. NEWMAN

Mr. Chairman and members of the Subcommittee, I am Jerald C. Newman, Chairman of the National Commission on Libraries and Information Science. I am pleased to present you with the Administration's fiscal year 1991 budget request, which totals $777,000. This budget represents a $27,000 or 3.5% increase over the appropriation for the current 1990 fiscal year. This amount of funding allows us to maintain a full staffing level of ten full-time permanent and two part-time positions in order to carry out the programs and activities of the Commission which I shall review here.

It is critical that the Commission be able to achieve and maintain at least its current basic staffing level and meet our other necessary expenses during FY 1991. This amount allows us to do so by holding vacancies open for several months, in both fiscal year 1990 and 1991. We remain committed to work towards meeting the Commission's mandate while also aiming toward full staffing. In order to permit the appropriation of a budget figure higher than our current fiscal year 1990 appropriation of $750,000, we have developed a set of technical amendments to our enabling legislation which would remove the existing $750,000 cap on appropriations for the Commission.

Our unique mandate, as expressed in Public Law 91-345 as amended, requires the Commission to advise both the President and the Congress on national library and information needs, and to coordinate efforts with Federal, state and local governments, as well as the public and private sectors, to achieve the goal of providing library and information services adequate to meet the needs of the people of the United States.

The complexity and comprehensiveness of this mandate, when compared with the small size and limited resources of the Commission, require us to concentrate our efforts into carefully selected high priority areas. For the past several years we have worked within four broad program areas: Literacy; Democracy; Productivity; and Policy, Planning and Advice to the Federal Government. Within each of these program areas, the Commission typically holds hearings, conducts studies, works with other appropriate organizations, and reports on findings to the President, Congress and the library and information community.

Because of the level of resources available and a desire on the part of the Commission to make a critical impact in several key high priority areas, our plan for FY 1991 shifts primary emphasis to the role of providing Policy, Planning and Advice to the Federal Government. White Papers may be published on such topics as the dissemination of government information; library and information services to special populations, focusing particularly on immigrant populations, the elderly and the handicapped; measuring the value of library and information services; and an examination of the public and private sector interface in the information industry and its effect upon society. The publication of such papers would be followed by field hearings and liaison work with involved government agencies and other organizations in order to develop policies out of the White Paper and public hearing process. The Commission sees this as the path to providing the greatest contribution within the limitations of a small Federal agency.

I would now like to briefly review activities and plans for each of the four program areas:

LITERACY

The Commission's primary goal in this program is to promote and support efforts at all levels of government-- Federal, state and local-- to provide equity of access to library and information services for all citizens. Activities of the Literacy program are centered on the development of information skills, development of a national library statistics program, information resource sharing, and the dissemination of government information.

During the 1989 and 1990 fiscal years, the Commission has had a nationally visible and productive role in the Literacy program. We presented our second annual Recognition Award to Reader's Digest for its contributions to literacy efforts throughout the nation. We co-sponsored a symposium on information literacy which brought together representatives of 24 national education organizations with school library experts and produced a report with 40 recommendations for improving information literacy through resource-based learning. We developed and participated in a joint program with the American Library Association to encourage every American child to obtain a library card. We published a report of the Federal State Cooperative Statistics project, detailing for the first time uniform data on the use of public libraries from 44 states and the District of Columbia.

In 1991 we will continue the annual Recognition Awards to highlight contributions and innovative efforts in providing library and information services to meet the needs of American citizens. We will continue to disseminate and promote the recommendations of the information literacy symposium, and work towards creating an awareness of the importance of access to and use of information to support critical thinking and life-long decision making. We call this adding a fourth "R" to reading, writing and arithmetic - Research. In order to gain a better understanding of the use of public libraries nationally and to provide research information to state and local governments, we will continue to develop, for the National Center for Educational Statistics (NCES), the Federal State Cooperative Statistical (FSCS) project, and expect to expand it to all 50 states. This project marks the first time that standardized information on public library use has been collected on a national level. In addition, the Commission will continue working to design a system for collecting data on school libraries and their services. Under the present agreement with NCES, the FSCS program is now taking specific steps toward the improvement of national statistics for academic libraries and school media centers. The FSCS program has also assisted in the organization of a User Review Panel to review and counsel NCES on the further development of library statistics. This panel is also developing recommendations on statistics both needed and desirable for the White House Conference on Library and Information Services and the state and territorial conferences that will precede the 1991 national conference.

DEMOCRACY

One of the purposes of the Commission program on Democracy is to encourage the strengthening of local libraries and information centers as primary resources for local governmental officials, citizens and other decision-makers. This area of activity includes provision of and access to information for local governance, as well as the preservation and conservation of the records of our nation's cultural heritage held by libraries.

We have recently participated in a partnership with the National Archives and Records Administration (NARA) to develop guidelines for preserving Federal government records in electronic format. The Commission passed a resolution, in January 1989, supporting Congressional efforts to establish a national policy on the use of permanent paper.

Plans for FY 1991 call for securing private sector funding for a videotape illustrating citizen use of the public library for informed governance of local municipalities. Using models that are analogous to the Congressional Research Service at the local level, three programs in libraries will be featured to encourage replication in other localities. We plan to urge these information providers at the local level to speak at appropriate conferences, workshops and other vehicles for publicizing these programs. The Commission will also continue to promote efforts on conservation and preservation of library materials. Once a national policy on the use of permanent paper is established, we will work towards the implementation of such policies in partnership with state and local .

PRODUCTIVITY

The Commission program on Productivity is concerned with determining the role of information in the economy, including how the management of information resources and the effective use of information technology can contribute to productivity. Also included are programs promoting library and information services to improve the quality of life and to help individuals become more productive members of society.

A major new component of this program began in January 1989 when the Commission held field hearings in the Southwest on the status of library and information services to Native Americans living on or near reservations. As an outcome of these hearings, the Commission organized a Task Force to make recommendations on the improvement of such services to Native Americans.

The Task Force, which includes representatives from the Commission, the Department of Education, the Bureau of Indian Affairs, the Department of Commerce and private organizations, is presently at work and the development and implementation of their recommendations will extend through FY 1991. As part of this effort, the Commission is also represented on a White House Interagency Task Force on Indian Affairs.

POLICY, PLANNING AND ADVICE

Our program of Policy, Planning and Advice to the Federal Government is concerned with national and international library and information policy issues. Such issues include dissemination of Government information, censorship, freedom of information, Government information in electronic format, appropriate roles of the public and private sectors in library and information services, and analysis of and comment on legislation relating to library and information science.

A major effort in this program area is currently underway to develop a set of "Principles of Public Information Policy". These principles are meant to provide guidance to the Federal government and others in the public and private sectors who deal with information policy issues. As an outgrowth of our recent hearing on the Office of Technology Assessment's report "Informing the Nation", an open forum to discuss national information policy was held early in fiscal year 1990. From this came the establishment by the Commission of an Information Policy Task Force, which is now preparing a draft policy statement to be published for comment in the Federal Register. After another public forum to discuss the principles, the Commission will move later this year to adopt a final set of public information policy principles. During FY 1991 we plan to widely disseminate and promote these principles and suggest their consideration at the state government level as well.

In fiscal year 1990 the Commission has provided Congress with technical advice on pending legislation such as the Paperwork Reduction Act reauthorization and Senator Gore's bill establishing a National Research and Education Network. We will continue to monitor legislation for appropriate Commission comment.

Plans are in place for research into library-related issues that will be taken up as part of the Higher Education Act reauthorization, and the Commission has also directed that research take place on the critical issue facing libraries of significantly rising prices for serial publications. This issue has formidable implications for U.S. research efforts and productivity.

1991 WHITE HOUSE CONFERENCE ON LIBRARY AND INFORMATION SERVICES

During fiscal years 1989 and 1990 the Commission has been very active in preparing for the second White House Conference on Library and Information Services to be held in July 1991. Commission members serve on the WHCLIS Advisory Committee and one member of the Commission staff is serving as liaison to the White House Conference staff. The Commission has recently announced the designation of an Executive Director for the White House Conference staff, and that individual will oversee an expansion for staff within that office.

The White House Conference on Library and Information Services was authorized by Public Law 100-382 to develop recommendations for further improvement of library and information services to increase productivity, expand literacy, and strengthen democracy. Fifty-seven states and territories will participate in the White House Conference and will develop their own preconference activities, ranging from regional meetings to Governor's conferences. An amount of six million dollars has been authorized for purposes of the White House Conference; the appropriation to date is $4.975 million.

We are very proud of the progress to date in developing activities at the state and territorial level as well as preparing for the White House Conference itself. Fiscal year 1991 will see a high level of activity as the Commission supports this effort for a nationwide library and information services needs assessment, on which policies and priorities to take us toward the year 2000 and beyond will be established.

Thank you for the opportunity to testify today. I will be glad to answer any questions you may have.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

PURPOSE

The National Commission on Libraries and Information Science (NCLIS) is a permanent, independent agency within the Executive Branch. NCLIS is mandated under Public Law 91-345 with responsibility for advising Congress and the President on matters of national library and information policy. The Commission meets this mandate by conducting studies, reviewing policy and legislation, working with Federal, state and local agencies, and holding hearings to provide the foundation for policy decisions. The Commission also closely monitors activities of the public and private sectors in the field of library and information science and services, contributing to a dialog and positive working relationships as an honest broker where these two sectors have differing approaches to issues.

The Administration requests $777,000 to finance the Commission's activities in FY 91, an increase of $27,000 over the FY 90 appropriation of $750,000. The proposed increase would allow the Commission to maintain current programs and fill a currently vacant Research Associate position which can only be maintained in FY 91 if appropriations are at the requested level.

SUMMARY OF FY 1989 - 1991 OBJECTIVES

The Commission believes the major library and information issues of concern at the national level and to the library and information community are access to information, information to meet changing information demands, and using information resources to improve productivity. To address these issues, the Commission operated programs around four major areas in FY 89 and 90: 1) Literacy, 2) Democracy, 3) Productivity, and 4) Policy, Planning and Advice. In FY 91, the Commission planned a shift in emphasis from these four areas to Policy, Planning and Advice. The concept was to provide for a focus on policy statements on vital issues of concern in each of these areas. The Commission will continue activities in the first three areas while increasing its Policy, Planning and Advice role within existing resources.

COMMISSION PROGRAMS

A. LITERACY (Access to information)

The Commission's primary goal in this program is to promote and support efforts at all levels of government- Federal, state and local- to provide equity of access to library and information services for all citizens. FY 90 activities of the Literacy program are centered on the development of information skills, development of a national library statistics program, information resource sharing, and the dissemination of government information.

FY 1991 Objectives

Continue the awards program for recognition of outstanding projects that teach skills in information use.

Continue to disseminate and promote adoption of the recommendations of the April 1989 conference of school administrators and school library media center directors on the role of the school library media center in education and in the development of critical thinking skills.

Continue work with the Department of Education and the National Center for Educational Statistics on the Federal/State Cooperative System to collect and improve dissemination of statistical data about libraries in the United States. Expand the FSCS data collection system to all 50 states and the District of Columbia.

Maintain programs such as the NCLIS Memorandum of Understanding with ACTION and the Department of Aging, which promotes the use of volunteers, especially older adults in literacy programs. Evaluate the current ACTION pilot project and expand if appropriate. Disseminate and promote finalized "Principles of Public Information Policy" as developed by the Information Policy Task Force and adopted by the Commission.

FY 1989-90 Accomplishments

In April 1989 NCLIS gave its Recognition Award to Reader's Digest for contributions it has made to literacy efforts throughout the Nation. Award nominations for 1990 are currently being solicited.

Developed and participated in a joint program with the American Library Association and the National Ad Council to encourage every American child to obtain a library card.

Published the first report of the FSCS project, detailing uniform data collected and compiled from 44 states and the District of Columbia. This was the first library data collection completely compiled in machine readable form. The results were available in this form 90 days after the collection of data.

Held an information literacy symposium in April 1989, co-sponsored with the American Association of School Librarians, bringing together representatives of 24 national education organizations. The symposium concluded with a report containing 40 recommendations calling for schools to place greater emphasis on the teaching of information usage skills to increase life-long decision making skills.

B. DEMOCRACY (Information for changing needs)

The purpose of this Commission program is to strengthen the local library and information center as a primary resource for local governmental officials and citizens. This area of activity includes provision of and access to information for local governance, as well as the preservation and conservation of the records of our Nation's cultural heritage held by libraries.

FY 1991 Objectives

Secure funding for a planned videotape illustrating citizen use of the public library for information resources to assist in the decision-making process and governance of local municipalities. Three programs in libraries which use a model analogous to the Congressional Research Service, will be featured to encourage replication in other localities.

Promote these information providers for local governance through identification of appropriate conferences, workshops and other vehicles for publicizing these programs.

Continue to promote efforts on conservation and preservation of library materials, such as a national policy on the use of permanent paper.

FY 1989-90 Accomplishments

Participated in a partnership with the National Archives and Records Administration developing guidelines for preserving Federal government records in electronic format.

Passed a Commission resolution, in January 1989, supporting Congressional efforts to establish a national policy on the use of permanent paper. Continued to monitor progress of House version into 1990.

C. PRODUCTIVITY (Information technology and productivity)

This Commission program is concerned with determining the role of information in the economy, including how the management of information resources and the effective use of information technology can contribute to productivity. Also included are programs promoting library and information services to improve the quality of life and to help individuals become more productive members of society.

FY 1991 Objectives

Begin implementation of a plan of action recommended by the Task Force on Library and Information Services to Native Americans and as approved by the Commission.

Identify other groups or segments of society with information needs which require specialized study to determine if Commission activity is called for to insure equity of access to information resources.

Continue work begun under the auspices of the Glenerin Declaration, adopted in 1987 by the United States, Canada and the United Kingdom. Establish coordinated development of library statistics, and definitions of basic library services for each nation's citizenry.

FY 1989-90 Accomplishments

Held field hearings in January 1989 on the status of library and information services to the American Indian community. As an outcome of these hearings, NCLIS organized a Task Force to make recommendations for the improvement of library and information services for Native Americans on or near reservations. The group includes representatives from NCLIS, the Department of Education, the Bureau of Indian Affairs, the Department of Commerce, and other appropriate agencies and organizations. As a part of this effort, NCLIS is also included in the White House Interagency Task Force on Indian Affairs. The transcript from the January 1989 hearings will be made available early in 1990.

A meeting of representatives from the three nations signing the Glenerin Declaration was held in 1989 and continued the work begun by adoption of the Declaration. Plans were made for additional work on common approaches to statistics, telecommunicatons, resource-based learning, and definitions of basic library services.

D. POLICY, PLANNING AND ADVICE

This Commission program is concerned with national and international library and information policy issues. Such issues include dissemination of Government information, censorship, freedom of information, Government information in electronic format, appropriate roles of the public and private sectors in library and information services, and analysis of and comment on legislation relating to library and information services and sciences.

FY 1991 Objectives

Work with the Executive Director and staff of the Second White House Conference on Library and Information Services on the development of issues for the White House Conference and publication and dissemination of Conference results.

Continue to advise Congress and the White House on library and information related issues and legislation.

Continue to advise Congress and the White House on policy and planning in library and information policy areas.

Work with other Federal agencies such as the Office of Technology Assessment and the Joint Committee on Printing, and private organizations, on national information policies and issues.

FY 1989-90 Accomplishments

Held a hearing in July 1989 on the OTA report "Informing the Nation". Publication of the transcript is planned for 1990.

As a follow-up to the OTA hearing, held an open forum in October 1989 for information policy issues, attended by more than 95 people. Established an Information Policy Task Force to develop a set of "Principles of Public Information Policy".

Developed plans for a second forum to follow publication of the draft "Principles of Public Information Policy" in the Federal Register. Adoption of final principles by the Commission is planned for Fall 1990.

Provided Commission comment to appropriate House and Senate committees on re-authorization of the Paperwork Reduction Act.

Organized a group of library organizations to comment on possible library roles in the National Research and Education Network (S. 1067).

Began a review of Library Services and Construction Act funding, and the Higher Education Act and current library needs under that act, for Commission comment relating to the reauthorization of HEA in September 1990.

Initiated discussion with other library and information groups on a possible investigation of remedies to the critical problem of rising prices for serials and its effect on U.S. research and productivity.

Amounts Available for Obligation

	1989	1990	1991
APPROPRIATION:			
Annual	741,000	750,000	777,000
REAL TRANSFERS FROM:			
National Center for Educational Statistics	268,000	350,000	
Department of State	170,000		
TOTAL ADJUSTED BUDGET AUTHORITY	1,179,000	1,100,000	777,000

BUDGET AUTHORITY BY OBJECT

Object Class	1990 Estimate	1991 Request	Change
11.1 Full-time permanent	395,000	412,000	+17,000
11.3 Other than FTP	67,000	71,000	+4,000
11.5 Other personal compensation	2,000	3,000	+1,000
12.1 Benefits	71,000	74,000	+3,000
SUBTOTAL PERSONNEL/BENEFITS	535,000	560,000	+25,000
21.0 Travel	44,000	50,000	+6,000
23.1 Rent	54,000	55,000	+1,000
23.2 Communications/Utilities	35,000	37,000	+2,000
24.0 Printing	4,000	5,000	+1,000
25.0 Other	62,000	52,000	-10,000
26.0 Supplies/Materials	16,000	18,000	+2,000
31.0 Equipment	0	0	0
SUBTOTAL	215,000	217,000	-2,000
SUBTOTAL, DIRECT OBLIGATIONS	750,000	777,000	+27,000
REIMBURSABLE OBLIGATIONS	350,000	0	-350,000
99.9 TOTAL OBLIGATIONS	1,100,000	777,000	-323,000

BUDGET AUTHORITY AND OUTLAYS

	1990 Estimate	1991 Request	Change
Budget Authority	750,000	777,000	$27,000
Outlays	964,000	772,000	-192,000
FTE	12	12	0

Summary of Changes from FY 1990

Full-time Permanent Salaries - Increases in salary for annualization of the 1990 pay raise and within grade increases for GS employees. This increase also covers the annual funding of a position that will remain vacant in FY 90 due to lack of sufficient funds.

Other than Full-time Salaries - Increases in salary for annualization of the 1990 pay raise and within grade increase for OTFT GS employee.

Personnel Benefits - Increase in benefits for Civil Service Retirement System and Federal Employee Retirement System (FERS) based on salary increases.

Travel and transportation - 14% increase in travel costs. This object class includes the cost of hotel and lodging for quarterly Commission meetings and other official travel. Hotel and lodging costs were formerly paid separately from Other Services.

Other services - Decrease due to transfer of all travel costs to Travel and Transportation and reductions in expenditures.

Other discretionary increases - $6,000 in four object classes to cover anticipated increases in FY 91.

Equipment - No new equipment will be purchased for the second year in a row.

APPENDIX B

APPROPRIATION HISTORY

	To Congress	House Allowance	Senate Allowance	Appropriation
1982	$702,000	702,000	702,000	691,000
1983	---	674,000	674,000	674,000
1984	553,000	553,000	674,000	674,000
1985	690,000	690,000	720,000	720,000
1986	---	690,000	690,000	690,000
1986[1]	-30,000			
1987	690,000	660,000	690,000	660,000
1987[2]	23,000			
1988	791,000	750,000	791,000	[3]718,000
1989	755,000	750,000	750,000	[4]741,000
1990	770,000	750,000	770,000	750,000
1991	777,000			

[1] Sequester.

[2] Pay and benefits supplemental.

[3] Excludes $9,000 not available for obligation pursuant to Section 512 of P.L. 100-202.

[4] Reflects 1.2% reduction made pursuant to Section 517 of P.L. 100-436.

APPENDIX B

MEMBERS OF THE U.S. NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Mr. Jerald C. Newman
Chairman
2001 Marcus Ave., Ste. N20
Lake Success, NY 11042
(July 1992)

Dr. Lee Edwards
Vice Chairman
5702 Newington Road
Bethesda, MD 20816
(July 1990)

Dr. James H. Billington
Librarian of Congress
Library of Congress
Washington, DC 20540
(Permanent Member)

Mr. Daniel W. Casey**
202 Scarboro Drive
Syracuse, NY 13209
(July 1994)

Mrs. Wanda L. Forbes**
21 Quinine Hill
Columbia, SC 29204
(July 1993)

Dr. Frank Gannon
153 Waverly Place
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(July 1990)

Mr. Raymond J. Petersen
Executive Vice President
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959 Eighth Avenue
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(July 1991)

Mr. Charles E. Reid*
Senior Vice President
Prodevco Group
1402 Bergen Boulevard
Ft. Lee, NJ 07024
(July 1993)

Mrs. Elinor H. Swaim**
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(July 1994)

Mrs. Barbara H. Taylor
14908 Spring Meadows Drive
Germantown, MD 20874
(July 1990)

Mrs. Julia Li Wu
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(July 1992)

Mr. Charles Benton
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Chairman, Public Media, Inc.
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Miss Elinor M. Hashim
Chairman Emeritus
Program Director, Special Libraries, OCLC, Inc.
Dublin, OH 43017

Dr. Bessie Boehm Moore
Vice Chairman Emeritus
712 Legato Drive
Briarwood
Little Rock, AR 72205

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*Nominated Chairman-Designate by the President, January 24, 1990; will serve term upon Senate confirmation.

**Nominated Commissioner-Designate by the President, January 24, 1990; will serve term upon Senate confirmation.

Public Law 91-345
91st Congress, S. 1519
July 20, 1970
As amended by Public Law 93-29, Section 802, May 3, 1973

An Act

To establish a National Commission on Libraries and Information Science, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Commission on Libraries and Information Science Act".

National Commission on Libraries and Information Science Act.

STATEMENT OF POLICY

SEC. 2. The Congress hereby affirms that library and information services adequate to meet the needs of the people of the United States are essential to achieve national goals and to utilize most effectively the Nation's educational resources and that the Federal Government will cooperate with State and local governments and public and private agencies in assuring optimum provision of such services.

COMMISSION ESTABLISHED

SEC. 3. (a) There is hereby established as an independent agency within the executive branch, a National Commission on Libraries and Information Science (hereinafter referred to as the "Commission").

(b) The Department of Health, Education, and Welfare shall provide the Commission with necessary administrative services (including those related to budgeting, accounting, financial reporting, personnel, and procurement) for which payment shall be made in advance, or by reimbursement, from funds of the Commission and such amounts as may be agreed upon by the Commission and the Secretary of Health, Education, and Welfare.

84 STAT. 440

84 STAT. 441

CONTRIBUTIONS

SEC. 4. The Commission shall have authority to accept in the name of the United States grants, gifts, or bequests of money for immediate disbursement in furtherance of the functions of the Commission. Such grants, gifts, or bequests, after acceptance by the Commission, shall be paid by the donor or his representative to the Treasurer of the United States whose receipts shall be their acquittance. The Treasurer of the United States shall enter them in a special account to the credit of the Commission for the purposes in each case specified.

FUNCTIONS

SEC. 5. (a) The Commission shall have the primary responsibility for developing or recommending overall plans for, and advising the appropriate governments and agencies on, the policy set forth in section 2. In carrying out that responsibility, the Commission shall—

(1) advise the President and the Congress on the implementation of national policy by such statements, presentations, and reports as it deems appropriate;

Advice to President and Congress.

(2) conduct studies, surveys, and analyses of the library and informational needs of the Nation, including the special library and informational needs of rural areas, of economically, socially, or culturally deprived persons, and of elderly persons, and the means by which these needs may be met through information centers, through the libraries of elementary and secondary schools and institutions of higher education, and through public, research, special, and other types of libraries;

Studies, surveys, etc.

(3) appraise the adequacies and deficiencies of current library and information resources and services and evaluate the effectiveness of current library and information science programs;

(4) develop overall plans for meeting national library and informational needs and for the coordination of activities at the Federal, State, and local levels, taking into consideration all of the library and informational resources of the Nation to meet those needs;

(5) be authorized to advise Federal, State, local, and private agencies regarding library and information sciences;

(6) promote research and development activities which will extend and improve the Nation's library and information-handling capability as essential links in the national communications networks;

Report to President and Congress.

(7) submit to the President and the Congress (not later than January 31 of each year) a report on its activities during the preceding fiscal year; and

(8) make and publish such additional reports as it deems to be necessary, including, but not limited to, reports of consultants, transcripts of testimony, summary reports, and reports of other Commission findings, studies, and recommendations.

Contract authority.

(b) The Commission is authorized to contract with Federal agencies and other public and private agencies to carry out any of its functions under subsection (a) and to publish and disseminate such reports, findings, studies, and records as it deems appropriate.

Hearings.

(c) The Commission is further authorized to conduct such hearings at such times and places as it deems appropriate for carrying out the purposes of this Act.

(d) The heads of all Federal agencies are, to the extent not prohibited by law, directed to cooperate with the Commission in carrying out the purposes of this Act.

84 STAT. 441

84 STAT. 442

MEMBERSHIP

Appointments by President.

SEC. 6. (a) The Commission shall be composed of the Librarian of Congress and fourteen members appointed by the President, by and with the advice and consent of the Senate. Five members of the Commission shall be professional librarians or information specialists, and the remainder shall be persons having special competence or interest in the needs of our society for library and information services, at least one of whom shall be knowledgeable with respect to the technological aspects of library and information services and sciences, and at least one other of whom shall be knowledgeable with respect to the library and information service and science needs of the elderly.

Terms of office.

One of the members of the Commission shall be designated by the President as Chairman of the Commission. The terms of office of the appointive members of the Commission shall be five years, except that (1) the terms of office of the members first appointed shall commence on the date of enactment of this Act and shall expire two at the end of one year, three at the end of two years, three at the end of three years, three at the end of four years, and three at the end of five years, as designated by the President at the time of appointment, and (2) a member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term.

Compensation, travel expenses.

(b) Members of the Commission who are not in the regular full-time employ of the United States shall, while attending meetings or conferences of the Commission or otherwise engaged in the business of the Commission, be entitled to receive compensation at a rate fixed by the Chairman, but not exceeding the rate specified at the time of such service for grade GS–18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Commission away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.

35 F.R. 6247.

83 Stat. 190.

(c)(1) The Commission is authorized to appoint, without regard to the provisions of title 5, United States Code, covering appointments in the competitive service, such professional and technical personnel as may be necessary to enable it to carry out its function under this Act.

Professional and technical personnel, appointment.

80 Stat. 378.

(2) The Commission may procure, without regard to the civil service or classification laws, temporary and intermittent services of such personnel as is necessary to the extent authorized by section 3109 of title 5, United States Code, but at rates not to exceed the rate specified at the time of such service for grade GS–18 in section 5332 of title 5, United States Code, including traveltime, and while so serving on the business of the Commission away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons employed intermittently in the Government service.

AUTHORIZATION OF APPROPRIATIONS

SEC. 7. There are hereby authorized to be appropriated $500,000 for the fiscal year ending June 30, 1970, and $750,000 for the fiscal year ending June 30, 1971, and for each succeeding year, for the purpose of carrying out the provisions of this Act.

Approved July 20, 1970.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 91-240 accompanying H.R. 10666 (Comm. on Education and Labor) and No. 91-1226 (Comm. of Conference).
SENATE REPORT No. 91-196 (Comm. on Labor and Public Welfare).
CONGRESSIONAL RECORD:
Vol. 115 (1969): May 23, considered and passed Senate.
Vol. 116 (1970): April 20, considered and passed House, amended, in lieu of H.R. 10666.
June 29, House agreed to conference report.
July 6, Senate agreed to conference report.

BIOGRAPHY OF JERALD C. NEWMAN

Jerald C. Newman was appointed by President Reagan in May, 1987 as Chairman of the National Commission on Libraries and Information Science, which is a permanent, independent agency that advises Congress and the Executive Branch on national library and information science policies, plans and concerns. Mr. Newman had served a five-year term on the Commission, ending on July 19, 1987. Since that date, he was nominated to a second term by President Reagan and confirmed by the U.S. Senate and continues to serve as Chairman of the Commission. His current five-year term ends July 19, 1992.

Born January 10, 1932 in New York City, Mr. Newman received a B.S. in Management in 1953, an M.B.A. in Management in 1954 from New York University, and completed major concentration requirements in the New York University Graduate School of Business Ph.D. program.

Mr. Newman is currently a management consultant and investment banker, with offices located in Lake Success, NY. He has spent the last twenty years in banking, his previous position being that of President of the Bowery Savings Bank. Prior to that time, he held senior positions with Bank Leumi Trust Company of New York and National Bank of North America. He has also served as a management consultant to corporate and government entities in the United States, Central America and Africa. Prior to entering banking, he had responsibilities for information science and data processing activities at R.H. Macy and CBS, Inc.

Mr. Newman has received awards for distinguished service, including the State University of New York at Stony Brook (University Medal) and the Association of the United States Army (Distinguished Service Award), and has also received gold keys for excellence in management from Long Island University and New York University.

From 1967 to 1983, Mr. Newman served as an Adjunct Professor of Business Administration at the C.W. Post Center at Long Island University where he instructed advanced courses in business policy, computer science, and management information systems. From 1976 to 1979 he served as President of the Association of Council Members and College Trustees of the State University of New York. From 1972 to 1974 he was Consultant to the Secretary of Health, Education and Welfare on matters of higher education and civil rights. He has authored Should the Closed Shop Provisions of the Taft Hartley Act be Amended? (1954) and Can Oil & Water Mix? (1976).

Mr. Newman is currently a member of the U.S. Advisory Panel on ROTC Affairs, is Civilian Aide to the Secretary of the Army, and serves on several boards, including the National Strategy Information Center. From 1956 to 1958 he served as a First Lieutenant in the United States Army.

BIOGRAPHY OF CHARLES E. REID

PERSONAL:

Born:	October 2, 1925
Home Address:	620 West Drive, Paramus, NJ 07652
Business Address:	517 Route 1 South, Suite 2080, Iselin, NJ 08830-3102
Education:	Palisades Park, Fort Lee and Leonia Public Schools; Glenwood Hall Technical School Certified Hotel Administrator 1985 New Jersey Public Waste Collection System - License 1985 Bergen Community College - Honorary Degree-Associate in Applied Science - 1987
Military Service:	U.S. Navy, World War II, 2½ years, Europen Theatre Petty Officer 2nd Class
Marital Status:	Married to Elizabeth V. Bampton 1945 Three grown sons: Charles Jr., Gregory and David
Church Affiliation:	Christ Evangelical Lutheran Church Paramus, New Jersey

BUSINESS:

Sr. Vice President	The Weingarten Group	
Sr. Vice President	The Prodevco Group	Real Estate Development, Commercial and Residential

Organizations:
- National Association of Home Builders
- Builders Association of Northern New Jersey
  - Board of Directors - 1978-80 and 1981-84
  - Chairman - Legislative Committee
- N.J. Manufactured Housing Association
  - Board of Directors - 1981-84
  - Secretary 1983
  - Chairman - Legislative Committee
  - Vice President - 1985-86
  - President - 1987
- Paramus Chamber of Commerce

Builders Association of Northern New Jersey Special Citation 1970 and 1980

ELECTIVE OFFICES:

Board of Education, Paramus, N.J. four terms - 1954-66
President and Vice-President

Mayor, Borough of Paramus, N.J. three terms - 1967-74
Paramus Planning Board 1967-74

New Jersey State Assemblyman 1972-73
Education Committee - Federal & Interstate
Relations Committee - Transportation and Public
Utilities Committee - State Library Committee -
Gambling Study Commission
Bergen County Board of Chosen Freeholders 1976-81
Deputy Director 1981
Sites and Facilities - Chairman - 1976-81
Police and Fire Commissioner - 1977-81

LIBRARY and ASSOCIATED ACTIVITIES:

National Archives Advisory Council
General Services Administration 1971-77

AMERICAN LIBRARY ASSOCIATION:

- ALA Library Administration Division
  - Budgeting, Accounting & Costs Committee 1961-64
  - Trustee Film Project Committee - Public Relations Section 1966-68
  - Program Evaluation & Budget Committee 1965-66
- ALA Resolutions Committee 1966
- ALA Intradivisional Committee on Standard 1966-67
- ALA State Federal Relations Coordinator 1966-67
- ALA Committee on Legislation 1967-71
  - Sub-Committee
    - Library services to the disadvantaged
    - Aid to metropolitan libraries
- ALA Special Committee on Interchapter Relationships 1967-72
- ALA Councilor 1966-70
- ALA Committee on Liaison with Associations of State and Municipal Officials 1974

AMERICAN LIBRARY TRUSTEE ASSOCIATION:

- National Assembly, Alternate Delegate 1961
- ALTA Vice-President 1963-64
- ALTA Council I, Chairman 1965-66, from 1985
- ALTA Speakers Bureau from 1963

ALTA Endowment Committee 1966-67
ALTA White House Conference Committee
    Vice-Chairman 1974
    Co-Chairman 1975
ALTA Award Committee 1976-80 and 1983-84
    Chairman 1976-80 and 1985 -
Alta Action Development Committee
    Chairman 1982-84

Television and radio appearances on library panels

Speech delivered at ALA Meeting in Washington; read into the Congressional Record by Representative William Widnall 1965

Various speeches including Connecticut Library Association Conference "Trustee Responsibility in a Changing World" and ALA Urban Library Trustee Workshop "Practical Approaches to Legislation"

Contributor to publications
    Missouri Library Association Quarterly
    American Library Association Bulletin
    Public Library Trustee
    Library Journal
    Other national library publications.

National Book Committee 1968-74

NEW JERSEY LIBRARY ASSOCIATION

New Jersey Library Association from 1959
    Title #40 Committee 1961-63
    Committee to select Trustee-of-the Year 1965
    Legislative Committee 1966-67 and 1972-76

NEW JERSEY LIBRARY TRUSTEE ASSOCIATION

New Jersey Library Association from 1959
    President 1963-64
    Vice President 1961-63 and 1966-67
    New Jersey National Library Week Committee 1961-63
    Evaluation Committee, Chairman 1964-65
    Trustee Education Committee, Chairman 1960-63
    Legistation Committee, Chairman 1967-68

Advisory Board for New Jersey, Library Services and Construction Act.
    Chairman 1964-70

New Jersey Construction Advisory Committee
    Member 1983-84

Library Archives and History Advisory Council
    Department of Education 1970-75

New Jersey Historical Records Advisory Committee 1976

Building Consultant - New Jersey State Library 1968

OTHER LIBRARY ACTIVITIES:

Building Consultant
    Emerson Public Library
    Lake Hiawath Public Library
    Harrington Park Public Library
    Hohokus Public Library
    Huntington Valley Public Library, PA
    Paramus Public Library

Library Consultant
Florida State University - Evaluation of State Library Legislation

Paramus Friends of the Library 1955-60
Paramus Library Association - President 1953-54
President 1954-66
Treasurer from 1974
Library Facilities Advisory Committee - Chairman 1967-69

Organized Mid-Bergen Federation of Libraries for intercooperation of libraries in nine communities.

LIBRARY AWARDS:

Paramus Public Library received John Cotton Dana Award 1954
Honorable mention for outstanding publicity among libraries in communities of population up to 25,000

First recipient of New Jersey Library Trustee Association
Trustee-of-the-Year Award 1959

Paramus Public Library received Book-of-the-Month Club
Dorothy Canfield Fisher Award 1965
Outstanding library of its size in the nation

American Library Association
Trustee Citation of Merit 1966
Outstanding service to libraries

Pennsylvania Library Association
Certificate of Merit 1966
Outstanding work on behalf of Pennsylvania Public Libraries

New Jersey Library Association
Legislative Award 1974

Mid-Bergen Federation of Public Libraries
Service Award 1974

Paramus Public Library
Service Award 1975

EDUCATIONAL ACTIVITIES:

Public School Service Association 1954-76

Paramus Board of Education 1954-66
Vice-President 1956-59 - President 1959-66
Chairman Long Range Capital Planning Committee from 1987

Trustee - Bergen Community College 1983
Chairman Personnel and Sites and Facilities

New Jersey Education Association, Consultant
Committee for Working Conditions for Teachers 1962-63

Advisory Board of Library Service
Graduate School, Rutgers University 1966-70

Television and radio appearances on educational panels

Contributor to School Board Journal and other national educational publications

AWARDS:

Paramus Parent Teachers Association Award 1967 - for twelve years of service to public schools as member and president of Paramus Board of Education

Paramus School Libraries received Encyclopedia Britannica
Honorable Mention Award for excellence 1966

CIVIC ACTIVITIES:

Veterans of Foreign Wars Post No. 6699, Paramus, NJ from 1947
  Trustee and Life Member
  Commander 1953-54

Disabled American Veterans

B.P.O.E. No. 2001, Paramus, New Jersey from 1956
  Charter Member

Paramus Lions Club from 1954
Paramus Boys Club
  Board of Trustees 1972-81
Odyssey House, Newark, New Jersey
  Board of Advisers 1972-73
Central Bergen Community Mental Health Center
  Board of Trustees 1973-76
State Health Planning Council 1973-74
  Review Committee 1974
New Jersey Conference of Mayors
  Board of Directors 1971-74
  Governor's Advisory Committee 1971-74
Bergen County Mayors Association
Paramus Republican Club
Bergen County Republican Club National Republican Organization
Y.M.C.A. - Board of Directors 1983
Governor's Hudson River Waterfront Development Commission from 1983
State of New Jersey Board of Accountancy from 1983

AWARDS:

Paramus Rotary Award for "Service Above Self" 1955
Junior Chamber of Commerce "Citizen of the Year" Award 1963
U.S. Jaycees
  Citizen of the Year 1963
  Certificate of Appreciation 1972
Italian-American Club Award
  Citizen of the Year 1968
Catholic War Veterans Certificate of Merit
  Americanism Award 1972
Wiss Jewelers "Do Something Beautiful" Award 1972
Knights of Columbus Certificate of Merit 1973
New Jersey Society of Professional Engineers
  Citizen Award 1973
Borough of Paramus - designation of park
  Reid Park 1973
League of Women Voters of Paramus
  Certificate of Appreciation 1975
Bergen County Police Chiefs Association
  - Dedication Toward Advancement of Law Enforcement 1978
Bergen Council of Boy Scouts of America
  Distinguished Citizens Award 1979
Conference of Christians & Jews
  Brotherhood Award 1981
New Jersey Manufactured Housing Association
  Industry Man of the Year 1984
  Ike Bogart Award for Distinguished Service
Paramus Rotary Paul Harris Fellow Award 1987

LITERACY PROJECTS

Senator **Specter**. Mr. Newman, if you deal with an issue like literacy, what is the need for that activity by the Commission in addition to what is being done by the Department of Education; or perhaps to focus more on the question, why should that not be with the Department of Education exclusively?

Mr. **Newman**. I will turn to Sue Martin, if I may.

Ms. **Martin**. I think there are two answers to that question. One is that libraries are naturally focuses of reading and allow especially in public libraries the——

Senator **Specter**. OK, but the Department of Education deals with libraries.

Ms. **Martin**. Yes; and they are indeed giving grants to demonstration projects on literacy.

Senator **Specter**. One of the problems I have, Dr. Martin, in going through all of our work is that there is so much duplication. How about if we transfer the functions of the Department of Education to the Commission?

Ms. **Martin**. With the associated funding?

Senator **Specter**. How about one or the other but not both?

Ms. **Martin**. We concentrate in slightly different areas. Would you like to speak to the policy versus practice area?

Mr. **Newman**. I think one of the——

Senator **Specter**. I would like an answer to my question. Why should it not be done under one umbrella? Would it not be more efficient to do that?

Mr. **Newman**. There is a certain emphasis, sir. Let me put it this way. In our literacy area we are handling the media specialists in the libraries. These are the people who provide the students with the appropriate books and teach them how to do research.

Senator **Specter**. Why could that not be handled by the Department of Education?

Mr. **Newman**. I am afraid it would not have the priority that it should have. It would be considered as secondary as opposed to primary educational needs.

When you go into the school system——

Senator **Specter**. You can say that about anything that the Department of Education does. If you take each item out and make a separate commission, it would have more priority attention.

Ms. **Martin**. It may be useful to think in terms of the overall charge that the Commission has, which is to offer policy advice to the executive and legislative branches.

Senator **Specter**. I was about to come to that. That is item No. 4, policy planning and advice. What does that mean?

Ms. **Martin**. Actually, it means that we have a very broad charge that can involve the provision of information to citizens of the United States, an assessment of whether people have access to the information that they need to conduct their lives, to learn and to be productive citizens.

Senator **Specter**. I do not understand what that means?

Ms. **Martin**. It is a very general statement, and——

Senator **Specter**. Policy planning and advice for people to conduct their lives? They go to the library and look up a subject of their interest and get a book and read it.

Ms. **Martin**. For example, one of the projects that we have been working on and which we are about to come out with a draft product is a set of principles on information policy. I do not believe anyone else in the Government——

PRINCIPLES ON INFORMATION POLICY

Senator **Specter**. Principles on information policy? What does that mean?

Ms. **Martin**. It means that we are the kind of country where information policy is being created de facto by many, many groups both within the Government and outside that have to do with information. There is no single central body that says this is the country's information policy, and it would not be appropriate really for this country.

It is clear, however, when you talk to the various groups involved that there are certain common elements——

Senator **Specter**. Can you give me something specific that you do under that category?

Ms. **Martin**. Yes; for example, we have had several hearings, and we have a task force now which represents multiple groups within both the Government and outside the Government that are dealing with the presentation of information. The principles for information policy, for example, address things like access to information that is created by the Government, Federal information, public information, and how it should be accessible to the citizenry at large.

Senator **Specter**. So what do you do to make it accessible?

Ms. **Martin**. We do not. We are too small, and we do not have the resources or the staff to actually make it accessible.

Senator **Specter**. So what do you do?

Ms. **Martin**. We bring these groups together and say, all right, these are the issues that are important, how do we bring——

Senator **Specter**. Which groups do you bring together?

Ms. **Martin**. For example, the Information Industry Association, the library groups, various people within the Government——

Senator **Specter**. Information Industry Association, that is a private group?

Ms. **Martin**. They represent for-profit companies.

The various people within the Federal Government; the Bureau of the Census, for example, is involved in this.

DEMOCRACY

Senator **Specter**. What do you do on democracy? You have four major areas: literacy, democracy, productivity, policy planning, and advice. What do you do for democracy?

Ms. **Martin**. We have participated, for example, in a partnership with the National Archives in records administration in developing guidelines for preserving Government records in electronic format under the assumption that the preservation of such records are important for the democratic process.

Senator **Specter**. What do you do beyond what the Archives does?

Ms. **Martin**. We work with them. We are able to——

Senator **Specter**. Why can the Archives not do that?

Ms. **Martin**. Well, they could, but we are able to bring to bear constituencies that go beyond the natural constituency of the Archives.

Senator **Specter**. What constituency?

Ms. **Martin**. For example, the private sector, the library group that is not necessarily involved directly with——

PRODUCTIVITY

Senator **Specter**. How about productivity?

Ms. **Martin**. In productivity, we have done several things. One of the major recent activities has been a set of activities that began about 1 year ago when we had hearings in New Mexico bringing people who represent Indian and native American tribes together because we wanted to get a handle on what the quality of the library and information service was to Indian communities.

Senator **Specter**. Are there not agencies which handle Indians and native American tribes?

Ms. **Martin**. That is one of the problems. There are too many, and they are going in different directions. What we have done is to establish——

Senator **Specter**. Well, you have made my point. [Laughter.]

Ms. **Martin**. Mr. Reid is the chair of the task force that the Commission has put together on that, and he might like to say a word.

Mr. **Reid**. We are working with the Indian and native American population. As an example, we have held a series of hearings, and we anticipate possibly holding another hearing in the Southeast this month.

Senator **Specter**. A hearing on what?

Mr. **Reid**. On the Indian library service and its relativity to the educational programs of the native American population and the literacy——

INDIAN LIBRARY SERVICES

Senator **Specter**. Do Indians have adequate library services available to them?

Mr. **Reid**. No, sir; they do not.

Senator **Specter**. Do they have any library services available?

Mr. **Reid**. It is very spotty, and it is not programmed in a consistent manner, nor is it reflective of the individual peculiar needs of the more than 300 different tribes that exist.

Senator **Specter**. I can see the importance of that.

Mr. **Reid**. It is a very, very complex subject. We are trying to get the various agencies of government and private interests who are concerned with the American Indian population to concentrate efforts toward a common goal.

I think one of the jobs the Commission does is to try to get people to mesh their effort into singular goals. I think that we are a cohesive element and can be a cohesive element to see that this is accomplished. On our limited budget we actually cannot program, but we can bring together and have the hearings which are necessary to make people work together toward a common interest.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Specter**. When you talk about making the libraries more accessible, that is a meaningful item to me. I have a hard time understanding why you ought to be in literacy or what you mean by your promotion of democracy. These four major areas leave me with major questions.

I would like to spend a lot more time on this today, but I really cannot. There are a number of questions which the staff has prepared which we would like to have answered in writing.

We are about to have another vote here, and that is going to be disruptive. So I would like to move ahead at this point with the next group.

I wonder if there might not be a better way to have the Commission focusing on libraries which are so very important as opposed to these other subjects which it seems to me others are doing.

My sister is a librarian, and she would certainly want me to say that. [Laughter.]

Mr. **Newman**. Senator, if I may take just another 30 seconds. In the area of democracy, one of the things we are doing is we are working with libraries in Central and South America to convert the most important American books into Spanish and to see that they are made available throughout libraries and universities in the U.S. Information Agency.

Senator **Specter**. That certainly is a worthwhile objective.

Thank you very much.

Mr. **Newman**. Thank you very much, sir.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

QUESTION:

Please tell us about the technical amendments to your enabling legislation. Have these amendments been submitted to your authorizing committee?

What would you have to cut from your budget if your funding cap of $750,000 is not lifted in FY 1991? On the other hand, what plans and projects would you put in place if the Commission received additional funding?

ANSWER:

The NCLIS technical amendments received OMB passback approval on March 14, 1990. The amendments are in the process of being communicated to the Speaker of the House, the President of the Senate, and our authorizing committee.

These technical amendments are designed to do three things: first, to provide for "holdover" membership on the Commission in order to fulfill quorum requirements; secondly, to lift the $750,000 cap on appropriations, which has been in place since 1970, to allow for the $777,000 in FY 1991 funding called for in the President's budget, and such sums as may be necessary in following years; and finally to clarify the Commission's ability to pursue administrative services contracts with any appropriate agency.

If the funding cap is not lifted and we can only receive $750,000 in FY 1991, we will have no increase over FY 1990 levels. With many fixed operating costs, we will have no choice but to eliminate one full-time position during FY 1991.

If we found ourselves with additional funding, we would first ensure that the Commission was operating at a full staffing level with no extensive gaps between hirings.

We can only stay within our current budget by holding vacant positions open for lengthy periods. If our funding level were to reach $800,000 in FY 1991, we could field a staff of 10.5 FTE for the full twelve months. Beyond that, we would move quickly on a series of issues which we would like to explore through research, field hearings and publication. These include library and information services to special populations, focusing particularly on immigrant populations, the elderly, disabled and handicapped; the dissemination of government information;; measuring the economic and social value of information and library services; and an examination of public and private sector interaction in the information industry and its effect upon society.

QUESTION:

In the FY 1991 budget request, NCLIS requests $27,000 over the FY 1990 level to maintain current programs and fund a new Research Associate. The President's budget indicates that in FY 1990 and FY 1991 NCLIS will fund 10 full time permanent positions and 12 Full Time Equivalents (FTE).

Currently, how many FTE are you funding in FY 1990? If currently funding 12 FTE, how will you fund an additional research associate position?

ANSWER:

We are currently funding 9.5 FTE positions, one of which is vacant. This research associate position has been held vacant due to budgetary restrictions since December 1989. As of June 1990, we will be able to fill this slot. One additional FTE position is utilized for the activities of the Commissioners, bringing our used FTE count up to 10.5.

QUESTION:

In last year's budget NCLIS discussed producing a videotape, "Information on Governance." This video would help decisionmakers in small communities learn about the library system's basic information and research services. These services then can assist the governing bodies in decisionmaking.

Has the video been produced yet? How will the video be funded?

ANSWER:

Despite concerted efforts to secure funding for the planned videotape on public library information services for governance, the Commission has been unable to do so. Several attempts to arrange institutional sponsorship have also failed. With the recent resignations of the two Commissioners directly involved with the program, a substitute plan has been proposed. The National Association of Counties (NACo), which will hold its annual meeting in Miami in July, has indicated its interest in including on its program an NCLIS presentation featuring one or more of the librarians discussing their governance information services. Such a presentation would meet the goal of informing local officials from throughout the nation about local public library services of value to them. The Commission could absorb the minimal cost of this presentation.

QUESTION:

Do your "Principles of Public Information Policy" comment on dealing with the issue of cost to government agencies for providing access to public information?

ANSWER:

Yes. Although the document is not yet finalized, in its present form it takes a strong stand against cost being an obstruction to citizen access to public information. The cost of creating, collecting compiling and processing information for the Government's own purpose should not be passed onto citizens who wish to utilize that public information, unless specifically provided by the law. Congress should assure sufficient funds for information dissemination so that citizens should pay no more than the marginal cost for any single item of information.

QUESTION:

In 1989 you held field hearings on the Status of Library and Information Services to Native Americans.

What was the most critical finding from these hearings? How do you expect this to be dealt with in the current work of your Task Force on this subject?

ANSWER:

The National Commission on Libraries and Information Science and Task Force on Library and Information Services to Native Americans held its first hearings in January 1989 at Santa Fe, New Mexico. Its members visited several pueblos and toured the libraries to make on-site observations. The hearings were held primarily to gather information and to solicit concerns of the Southwest Native Americans. Although several Indian representatives came from other regions of the country, it was not a reflection of the problems facing all the tribes.

Several critical issues came to the attention of the Task Force of the Native Americans through the testimony of the tribal representatives. While these issues in certain instances were limited to the speakers, most shared concerns about financial resources. They emphasized commitment of Indian Nations to work for the literacy of their members. However, they also indicated that their limited available resources are the biggest hindrance to establishing new libraries and maintaining the ones they have. They are unable to hire and retain trained professional staff for libraries. Mary Jo Cole, a representative of the Cherokee nation, testified, "Our tribal library was established in 1979 by compiling a number of different libraries into the group. It was moved four times from one location to the next. We serve a large area and we need a mobile unit. At this point, there was no funding for library services." Another witness, Mimi Robbins said, "the problems as I have seen them have been, of course, not enough money, inconsistent monies, therefore not enough staff, and staff turnover." Mr. Nelson, a Navajo, pointed out that his reservation is so vast that some people travel a hundred miles or more to visit the Window Rock Library. "We need bookmobile units."

These hearings were indicative of the success of LSCA Title IV program administered by the Department of Education. Janice Beaudin, (Winnebago from Wisconsin) said, "I would like to see LSCA money continued or some similar type of funding." It is the only grant program for public library service for Indian tribes.

The Commission on Libraries and Information Science and Task Force on Library Services to Native Americans will hold three more regional hearings -- southeast, northeast and northwest. The data gathered will be analyzed and a comprehensive report will be prepared for the Congress and Administration.

QUESTION:

In NCLIS's budget submission this year, one of your objectives is to " . . . continue work with the Department of Education and National Center for Educational Statistics on the Federal/State Cooperative System (FSCS) to collect and improve dissemination of statistical data and expand the FSCS data system to all 50 states." Uniform data on public library use has been gathered nationwide for the first time.

How will this data be used and by whom? How do you plan to disseminate this information?

Will the new statistical system provide standards to measure how libraries are being utilized? Will the system also develop standards to measure the adequacy of library services?

How do you plan to disseminate this information?

ANSWER:

The National Center for Education Statistics (NCES) will make the FSCS public library data available annually in printed form, on floppy disk, and on magnetic tape.

Both State and national statistics will be reported in print. In addition, individual library data will be available in machine readable format. The public library data will also be available from State library agencies, Federal depository libraries, and by sale from the U.S. Government Printing Office.

For the first time, statistics on all the country's public libraries will be collected by State library agencies based on standard terms and definitions and will be transmitted to the National Center for Education Statistics in machine-readable form. This will be the first national education survey to be reported, reviewed and tabulated completely by computer. A large data bank of information will be produced efficiently and promptly. The results will benefit all those who make decisions affecting public libraries and those who work to improve public library services.

QUESTION:

Will the new statistical system provide standards to measure how libraries are being utilized?

ANSWER:

In the development of standard data elements and definitions, the Federal State Cooperation System has established standards for collecting public library data. These standards, in turn, can be used to measure the use of libraries.

QUESTION:

Will the system also develop standards to measure the adequacy of library services?

ANSWER:

The FSCS will provide data from which analyses can be made in terms of minimum, maximum, and median levels for income, expenditures, collections, services, and staffing. Such data can in turn be related to populations, per capita incomes, and the education levels of communities being served by public libraries.

Many states have already established standards for minimum levels of public library service. FSCS will provide basic data from which evaluation of public library support and services can be made and on which planning legislation and budgeting can be based for the future development of library and information services for the nation.

QUESTION:

In your statement it is mentioned that you are promoting some 40 recommendations which came out of a Symposium on Information Literacy co-sponsored by the Commission in April 1989.

Which of these 40 are the most important to the Commission and how do you see them being implemented?

ANSWER:

The three recommendations that are most important to NCLIS are:

- The education community make a philosophical commitment to information literacy as a new principle of learning;

- Encourage organizations represented at this conference to join the National Forum on Information Literacy to foster information literacy and implement the recommendations of this Symposium; and
- Encourage collaboration among teachers in the disciplines, school library media people and higher education institutions to promote teamwork and integration of information literacy into the curricula.

We see these being implemented through the work of the National Forum on Information Literacy and through similar coalitions at the state and local level. We are looking very closely at activities in the state of Indiana because a state level mini-symposium will be held there in April and we will be

able to track results of this state-symposium. This conference will serve as a model as it is the first state conducted one.

QUESTION:

Since 1982 the NCLIS has been interested in establishing a Task Force on Library and Information Services for senior citizens.

Has the NCLIS established this Taskforce?

ANSWER:

No, we have not. It has not been fiscally possible. It is envisioned that the second White House Conference on Library and Information Services will produce recommendations in this area.

QUESTION:

What is the mission of this Taskforce?

ANSWER:

Had the Taskforce been established, the mission would have encompassed exploring the status of library and information services, resources and programs to the elderly and producing a final report with recommendations for improvement in the delivery of these services.

QUESTION:

We know that providing service for the elderly is a high priority for NCLIS.

Will the NCLIS participate in the FY 1991 White House Conference on Aging? If so, what will be your focus?

ANSWER:

We anticipate participation in this important Conference. Our focus will be raising awareness of the delegates to the services provided by libraries to meet the needs of the elderly, their caregivers, and those working with the elderly; pointing out the opportunities that exist for community-based collaborative and cooperative ventures between those working with the elderly and libraries to meet the needs of the elderly; and raising awareness of the opportunities for the elderly to serve in varied ways as library volunteers.

QUESTION:

The Americans with Disabilities Act has passed the Senate and may pass the House this year.

Is the NCLIS making progress towards assuring that all libraries and library materials are accessible to individuals with disabilities?

ANSWER:

Though NCLIS would like to have the authority to make this assurance, we cannot because we are neither a grant-making or regulatory agency. Public libraries have been using grants from Title II of LSCA, which is handled through the state library agency, to assist in the modification of older buildings or to build new facilities to provide access to the blind and physically handicapped. If there is no funding for Title II, these construction matters then will be entirely local and state endeavors. NCLIS certainly encourages and promotes access to library and information services to all Americans and we work closely with the chief officers of state library agencies in doing this.

QUESTION:

Will the Second White House Conference on Library and Information Services deal with issues of the use of libraries by individuals with disabilities making information accessible to these individuals?

ANSWER:

The conference will cover how to meet the library and information needs of the disabled. We certainly hope that the state and/or regional conferences will produce recommendations that delegates to the national conference will bring to be included as priorities in their key recommendations to the national conference.

QUESTION:

What activities has the Commission planned for FY 1990 and
FY 1991 that will further assist rural libraries?

ANSWER:

We have been and will continue to be represented at various Government agency efforts to improve the quality of services to rural populations. One senior staff member has within her responsibilities that of tracking proposed legislation and ensuring that library and information services to rural populations are included wherever appropriate.

The Federal/State Cooperative System for Public Library Data (FSCS), implemented jointly by NCLIS and the National Center for Education Statistics, produced information from 44 states and the District of Columbia in FY 90, and is expected to provide information from all 50 states in FY 91. Part of these data incorporate information about services to rural populations, in the sense that for the first time we know how many bookmobiles there are in the country, and their distribution; and we are able to describe the quality of library and information services in communities with populations of 10,000 or less.

We continue to work with the American Council of Learned Societies to plan a cooperative effort with librarians from the Soviet Union who wish to learn from us about services in rural areas. An exchange delegation from the Soviet Union is planned, and will provide our visitors with an orientation session in Washington, followed by visits to demonstration sites around the country, where we have identified outstanding examples of services within rural areas. This project awaits funding from ACLS.

QUESTION:

Last year in our hearings, you told us about the Kellogg Foundation's Project for the

Mountain States for rural libraries. In addition, we also discussed the possibility of mobile libraries. What results have come from the Kellogg Foundation Project? Do the Project results indicate a need for mobile libraries?

ANSWER:

The project funded by Kellogg is intended to make it possible for the rural population in the Mountain States to attend university courses remotely, by satellite. The library portion of the project focuses on using the public libraries in these rural communities as the "research libraries" for people taking remote courses. The project has proven successful, and its coordinators are seeking permanent funding from their home institutions.

The question of bookmobiles, discussed at last year's hearing, is not directly related to the Kellogg Project because bookmobiles hold relatively small collections and are generally unable to support postsecondary education research. However, the FSCS results have given us the first national information on a state-by-state basis about the prevalence of bookmobiles. We can now demonstrate that in certain highly rural states, there is a critical need for bookmobiles to supplement the local public library collections, particularly in support of elementary and secondary school children, of adult literacy programs, and of pleasure reading.

QUESTION:

In FY 89 and FY 90, the Commission's budget was one-third greater than its appropriation. The extra funds were a result of contract work the Commission did for the Department of Education, the State Department and USIA. Will you be engaging in activities supported by other agencies in FY 91? If so, what is the estimated amount of these contract funds?

ANSWER:

Although it naturally cannot be guaranteed, we expect to continue our work with the National Center for Education Statistics, increasing the amount of information made available about public libraries and extending the effort to incorporate school libraries in NCES' School and Staffing Survey. We also expect State Department funds for international information projects to be forthcoming as long as the United States is not a member of UNESCO.

In FY 91, depending on their appropriations, we expect the level of effort of the FSCS program to reach at least $100,000, and the State Department funding to remain stable at about $180,000. At the present time, we are not working with the USIA on specific projects.

QUESTION:

We are pleased with the outside contributions and grants made by private industry to help NCLIS support specific programs. What level of corporate support are you aiming for in FY 91 and what activities will these funds support?

ANSWER:

We are aiming for a level of corporate support of approximately $6 million. The bulk of this amount will be intended to support the White House Conference on Library and Information Services, with a smaller amount intended to support the Commission's program of hearings and development of white papers on topics of importance that are not being addressed by any other agency, such as information policy principles.

QUESTION:

What is the status of appointments to the Commission? Does the Commission currently satisfy [the requirements established by P.L. 91-345 for Commissioners knowledgeable in certain areas]? Also, are there five members of the Commission who are professional librarians or information specialists, as required by law?

ANSWER:

Currently there are four vacancies on the Commission. No names have yet been sent from the White House to the Senate for these vacancies.

Of the eleven Commissioners, there is no one who has specific knowledge in the area of the technological aspects of library science, or in the library and information needs of the elderly. However, Dr. Bessie Moore, Vice-Chairman emeritus, is knowledgeable in the latter area, and she continues to attend all Commission meetings. Ms. Elinor Hashim, Chairman emeritus, is knowledge in the technological aspects of library science, and she attends as often as her schedule permits.

Currently, the Commission does not have five members who are librarians or information specialists. One Commissioner is a school librarian; another was trained as a librarian but has not worked in that capacity for several decades.

QUESTION:

When we met last year, Mr. Newman, we talked extensively about the White House Conference on Library and Information Services II. The Conference will develop recommendations for the further improvement of the library and information services of the Nation and their use by the public. In the FY 91 budget, the administration has not requested additional funds for the Conference.

During the past year what progress have you made in planning for this conference?

ANSWER:

The White House Conference received initial funding of $1.75 million under the Dire Emergency Supplemental Appropriations Act on June 30, 1989. It was urgent that money be immediately allocated to the 59 entities having pre-White House Conference activities so they could begin their planning. This included all of the states, territories, Indian Nation and the Federal Library Community. $1.575 million was allocated to these 59 entities out of the FY 89 monies. Memoranda of Agreements had to be developed, approved by OMB, negotiated and executed with all of the governors of the states and territories before the funds could be released. The funds distributed were based on a formula recommended for the FY 89 appropriations by the NCLIS Advisory Committee on the White House Conference and accepted by NCLIS as a whole. Guidelines were developed by the Advisory Committee and sent to all 59 entities receiving Federal funds to assist them in developing their preconference plans. The entities having preconference activities had to submit their plans for review and approval by the Advisory Committee and NCLIS on or before January 30, 1990.

A 11 member transition team was formed to assist the Commission and the Advisory Committee in tending to the myriad of details which accompanies the start-up of a program. Two senior staff people are on detail from the U.S. Department of Agriculture and one from the Library Programs Office of OERI at the U.S. Department of Education. There are two senior consultants working on public/private sector partnerships, media, outreach and management planning. Presently, there are 7 support staff for administration, fiscal, computer, clerical and secretarial services. A proposal from the Chief Officers of State Library Agencies (COSLA) was received by NCLIS and the Advisory Committee to allow experienced state library staff members to compete for positions on the White House Conference staff. The proposal gives librarians an opportunity to bring their expertise and a state focus to the White House Conference, while keeping their jobs in their home states. Their salaries will be reimbursed to the state through an NCLIS Intergovernmental Memorandum of Agreement similar to that developed by NCLIS with the State Library of Ohio in the Federal-State Cooperative System for Public Library Data project. Both the Commission and the Advisory Committee adopted this proposal in concept and are presently negotiating the details. A small office adjacent to NCLIS Headquarters is being used on a temporary basis to house the transition team. Furniture, telephones, computers and other basic office services and supplies have been located and arranged for.

The Advisory Committee met in April, August, September, December, 1989 and February 1990. They established the following subcommittees: Delegate Selection, Exhibits Planning and Development, Goal and Objectives, Public & Private Sector Liaison, Public Relations and

Awareness, Resources, Structure, Preconference Activities, Background Reference Information Development, Delegate Credentialing Criteria, White House Conference Honorary Chairman Selection, National Conference Program Planning, Issues Identification and Development/Results Processing Framework Recommendation.

A planning manual was developed for each of the 59 entities having preconference activities to assist and encourage planning, implementation, fund raising, outreach, issues development, media activities and fiscal accountability. The Planning Manual will be updated from time to time. It includes the Presidential Message, Guidelines for State and Territory Preconference Activities Plans, Delegate Selection Guidelines, the WHCLIS Goal, Objectives and Results Statement, Education and Training for Delegates - Ideas, Revised Hypertext Information, a state and territory planning calendar, general data and statistical information, key state media lists, sample press releases, public service announcements, sample OPED piece, clippings, newsletters, suggested lists for mass and targeted mailings, suggestions for state wide forums and meetings updates, information on the electronic bulletin board and the WHCLIS 1/800 WATTS telephone line, suggestions for fund raising guidelines and contacts, speakers bureau, materials on literacy, productivity, and democracy, and advisory memoranda.

In further anticipation of a need for delegate preparation and continuity of issues development for the preconference activities and the National White House Conference, several electronic communications systems have been put in place. All participating entities will receive DATANET PLUS, a computer statistical graphics software package which aids in interpretation and understanding of statistical data. This software will provide a means for delegates at preconference activities to see local, state and national statistical information in graphics form--similar to those statistical graphics used in "USA Today." This is a State/Federal cooperative effort with the State Planning

Agency of Minnesota; the Federal-State Cooperative System for Public Library Data, METRONET of St. Paul, Minnesota; the National Center for Education Statistics, NCLIS; and the White House Conference. An 800 telephone number has been established for use by the 59 entities having preconference activities. It is 1-800-WHCLIS 2. And thirdly, a White House Conference Electronic Bulletin Board administered by ALANET is in place. Participants with preconference activities will be able to communicate through the electronic bulletin board with NCLIS members, staff and the White House Conference Advisory Committee members.

A White House Conference logo has been designed and accepted by the Advisory Committee and NCLIS. We have contacted the Department of Commerce, Patent and Trademark Office regarding registration of the logo. A sample of the logo is attached.

A Communications and Public Education Plan has been developed and the start-up activities include the development and publication of a White House Conference brochure (see attached) giving background and goals of the second White House Conference are being used in preconference activities. Orders already received from the states range from 300 to 10,000 copies. A newsletter has been developed and will be distributed at regular intervals throughout the White House Conference process. It will report on state and national White House Conference activities. A major master list has been developed using a sophisticated computer program which currently has 3,500 names of persons who have indicated an interest in the White House Conference. This list will be used for outreach and will be continually updated as needed.

Attached are listings of the dates of preconference activities known as of March 7, 1990.

QUESTION:

What will be on the agenda of the Second White House Conference on Library and Information Services?

ANSWER:

The three overarching themes for the White House Conference are:

- Library and Information Services for Productivity;
- Library and Information Services for Literacy; and
- Library and Information Services for Democracy.

The agenda will include the issues which will bubble up from the 59 preconference activities and several issues will cut across all three of the above themes, for example, international. The specific agenda has not yet been prepared, pending receipt of information from the preconferences.

QUESTION:

Please give the committee a brief funding history of this conference.

ANSWER:

As mentioned above, the White House Conference was appropriated $1.75 million in the FY 89 Dire Emergency Supplemental Act. In FY 90, net funding for the White House Conference totaled $3,225,000. The Gramm-Rudman-Hollins sequester deducted $25,000 from the amount of FY 90 funds originally appropriated. The total funding to date of $4,075,000 is $1,025,000 short of the $6 million authorized in Public Law 100-302.

QUESTION:

I believe it would be correct to say that up to this point, $4.75 million has been appropriated for this Conference. Is $4.75 million enough to provide resources for the White House Conference II? If not, how much more is needed?

ANSWER:

No, the $4.75 million is not enough to provide resources for the White House Conference. The $1,025,000 would be used to hold the National Conference, currently scheduled for July 9-13, 1991 in Washington, D.C. and will provide the additional $405,000 to the states so their total in direct allocation will reach the $2 million which was pledged in our appropriation hearings in the last two years. It is estimated that $9 million total was spent on the 1979 White House Conference on Library and Information Services, of which $3.5 million was the Federal appropriated share. The projected costs for the 1991 Conference are in the range of $18 million and the $6 million appropriation will allow the Federal Government to maintain its one-third share of the cost of the White House Conference. The Federal funds are being used by the states as leverage to secure additional funding from the states as well as private sector funding.

State and Territorial Preconference Activities
Planning Manual
1989-1991

INDEX

SECTION

Presidential Message

I. Guidelines for State and Territory Preconference Activities Plan
  Appendices:
  A. White House Conference Preliminary Design Group Report
  B. Congressional Reports
  C. Public Law 100-382
  D. Delegate Selection
  E. Education and Training for Delegates - Ideas
  F. Revised Hypertext Information

II. Goal and Objectives

III. State and Territory Planning
  A. Calendar
  B. WHCAC Subcommittee Report on Structure
  C. General Data & Statistical Information

IV. Suggested Media Opportunities
  A. Key State Media Lists
  B. Press Releases
    1. Sample Press Release
    2. WHC Press Releases
  C. Broadcast - Sample Public Service Announcement
  D. Sample OpEd Piece
  E. Clippings
  F. Newsletters
  G. Articles & Other Publications

V. Suggested Outreach Activities
  A. Suggested Lists for Mass and Targeted Mailings
  B. Suggested Statewide Forums and Meetings
  C. Suggested County, City and Community Forums
  D. Updates on Other State and Territory Activities
  E. WHCLIS Electronic Bulletin Board Information
  F. WHCLIS "1-800-WHCLIS2" WATTS Telephone Line

VI. Suggested Fundraising Guidelines and Contacts

VII. Speakers Bureau
  A. List of Resources
  B. Sample Speech

VIII. Theme/Issue Materials
  A. Materials on Literacy
  B. Materials on Productivity
  C. Materials on Democracy
  D. Others

IX. Advisory Memoranda

X. Planning the White House Conference on Library and Information Services - A Guide for State Planning Committees (WHC - 1979)

XI. Miscellaneous

XII. Notes

PRE CONFERENCE ACTIVITY CALENDAR

Alphabetic by State/Territory

States/ Territories	Dates of Preconference Activities	States/ Territories	Dates of Preconference Activities
Alabama	Mar. 5-7, 1991	New Mexico	Undetermined
Alaska	Mar. 1-5, 1991	New York	Nov. 28-30, 1990
Arizona	Jan. 24-25, 1991	North Carolina	February 1991
Arkansas	March 1991	North Dakota	Nov. 29-Dec. 1, 1990
California	No Fixed Dates	Ohio	Fall 1990
Colorado	Oct. 8-10, 1990	Oklahoma	Nov. 30-Dec. 1, 1990
Connecticut	May 22-24, 1990	Oregon	No Fixed Dates
Delaware	March 8-9, 1991	Pennsylvania	Sept. 13-15, 1990
Florida	Dec. 3-5, 1990	Rhode Island	Feb./March, 1991
Georgia	Sept. 5-6, 1990	South Carolina	Spring 1991
Hawaii	Sept. 7-8, 1990	South Dakota	Undetermined
Idaho	Fall '90/Spring '91	Tennessee	Oct. 10-12, 1990
Illinois	Apr. 4-6, 1990	Texas	Jan. 4-5, 1991
Indiana	Nov. 16-18, 1990	Utah	Feb./March, 1991
Iowa	Apr. 30-May 2, 1991	Vermont	Fall '90/Winter-Spring '91
Kansas	Nov. 8-10, 1990	Virginia	Nov. 10-11, 1990
Kentucky	February 1991	Washington	Feb. 28-March 2, 1991
Louisiana	Sept.-Oct., 1990	West Virginia	Oct. 11-13, 1990
Maine	Undetermined	Wisconsin	Feb. 7-8, 1991
Maryland	Sept. 23-25, 1990	Wyoming	No Fixed Dates
Massachusetts	No Fixed Dates		
Michigan	May 31-Jun. 1, 1990	District of Columbia	March/April, 1991
Minnesota	Sept. 16-17, 1990	Puerto Rico	Nov. 6-8, 1990
Mississippi	Jan. 11-12, 1991	Virgin Islands	Feb./March, 1991
Missouri	Nov. 16-17, 1990	American Samoa	Oct. 25-26, 1990
Montana	Oct. '90 or Jan. '91	Guam	Nov. 15-17, 1990
Nebraska	Feb. 23-26, 1991	Marshall Islands	October 1990
Nevada	May 10-11, 1990	Northern Marianas	October 1990
New Hampshire	February 1991	Indian Tribes	Nov. 8-9, 1990
New Jersey	Sept.-Dec., 1990	Federal Library Community	November 1990

CHRONOLOGIC LIST OF STATE/TERRITORIAL PRECONFERENCE ACTIVITY

Date(s)	State/ Territory
Apr. 4-6, 1990	Illinois
May 10-11, 1990	Nevada
May 22-24, 1990	Connecticut
May 31-June 1, 1990	Michigan
Sept. 5-6, 1990	Georgia
Sept. 7-8, 1990	Hawaii
Sept. 13-15, 1990	Pennsylvania
Sept. 16-17, 1990	Minnesota
Sept. 23-25, 1990	Maryland
Sept.-Oct., 1990	Louisiana
Sept.-Dec., 1990	New Jersey
Oct. 8-10, 1990	Colorado
Oct. 10-12, 1990	Tennessee
Oct. 11-13, 1990	West Virginia
Oct. 25-26, 1990	American Samoa
October 1990	Marshall Islands
October 1990	Northern Marianas
Oct. '90 or Jan. '91	Montana
Fall 1990	Ohio
Nov. 6-8, 1990	Puerto Rico
Nov. 8-9, 1990	Indian Tribes
Nov. 8-10, 1990	Kansas
Nov. 10-11, 1990	Virginia
Nov. 15-17, 1990	Guam
Nov. 16-17, 1990	Missouri
Nov. 16-18, 1990	Indiana
Nov. 28-30, 1990	New York
November 1990	Federal Library Community
Nov. 29-Dec. 1, 1990	North Dakota
Nov. 30-Dec. 1, 1990	Oklahoma
Dec. 3-5, 1990	Florida
Jan. 4-5, 1991	Texas
Jan. 11-12, 1991	Mississippi
Jan. 24-25, 1991	Arizona
Feb. 7-8, 1991	Wisconsin
Feb. 23-26, 1991	Nebraska
February 1991	Kentucky
February 1991	New Hampshire
February 1991	North Carolina
Feb. 28-March 2, 1991	Washington
Feb./March 1991	Rhode Island
Feb./March 1991	Utah
Feb./March 1991	Virgin Islands
March 1-5, 1991	Alaska
March 5-7, 1991	Alabama
March 8-9, 1991	Delaware
March 1991	Arkansas
March/April 1991	District of Columbia
Apr. 30-May 2, 1991	Iowa
Spring 1991	South Carolina
Fall '90/Spring '91	Idaho
Fall '90/Winter-Spring 1991	Vermont
Undetermined	Maine
Undetermined	New Mexico
Undetermined	South Dakota
No Fixed Dates	California
No Fixed Dates	Massachusetts
No Fixed Dates	Oregon
No Fixed Dates	Wyoming

U.S. INSTITUTE OF PEACE

STATEMENT OF AMBASSADOR SAMUEL W. LEWIS, PRESIDENT

ACCOMPANIED BY:

CHARLES NELSON, EXECUTIVE VICE PRESIDENT
CHARLES SMITH, GENERAL COUNSEL
BERNICE CARNEY, DIRECTOR OF ADMINISTRATION

INTRODUCTION OF ASSOCIATES

Senator SPECTER. I would like now to turn to the U.S. Institute of Peace and welcome Ambassador Samuel W. Lewis, President of the United States Institute of Peace.

My only regret is that Ambassador Lewis is not still an Ambassador or Secretary or some higher office.

Welcome, Sam. Nice to have you here.

Ambassador LEWIS. Thank you very much, Senator. It is nice to be here. I would like to introduce Charles Nelson, our Executive Vice President.

Senator SPECTER. Welcome, Mr. Nelson.

Ambassador LEWIS. I also have with me Charles Smith, our general counsel, and Bernice Carney, who is the Director of Administration for the Institute.

Mr. Chairman, I know you are very pressed. You have our statement, and I would just like to make three or four very quick comments about the statement.

SUMMARY STATEMENT

I would like to express here, though, our deep appreciation to you and to this committee for the wonderful support you have given to the U.S. Institute of Peace in previous years.

We have made a budget request for $9.2 million which is considerably less than our authorization level, not because we do not think we could use very effectively the full $10 million that is authorized, but because we realize that the Federal Government is in very difficult straits on its overall budget. We want to play our part in trying to assist with that.

A no-growth budget for the next fiscal year would amount to $7.852 million; that is, our current appropriation of $7.55 million plus a 4-percent inflation factor. To stay exactly where we are in our fifth year of operations would require $7.85 million.

Our request for $9.2 million is 17 percent higher than that and is obviously a large increase. I believe, however, that this increase is fully justified this year, Mr. Chairman, by two basic facts. I think they are more than apparent to you and to all the members of this committee.

First, we are in an extraordinary moment in world history in which the pace of change and the need to understand the nature of that change in the new era of post-cold war international affairs has never been so startling or so dramatic.

PREPARED STATEMENT

Second, and related to that, is the fact that we have now finished 4 years of operations at the Institute, and we are fully geared up as an organization to play a truly supportive and useful role in helping our policymakers and our public understand the nature of this era and the different kinds of threats that we are facing in it.

[The statement follows:]

STATEMENT OF AMBASSADOR SAMUEL W. LEWIS

Mr. Chairman and Members of the Committee, I want to express special appreciation to you and to this Committee for the steadfast support you have evidenced for the United States Institute of Peace in previous years. It is your confidence and strong encouragement that have enabled the Institute to make such rapid strides toward realizing the potential of our broad Congressional mandate.

I am also grateful for this opportunity to review with you some highlights of our budget request of $9,200,000 for fiscal year 1991. Although, we could utilize effectively the full authorized amount of $10,000,000, we have proposed the lower level of $9,200,000 to help deal responsibly with the constraints currently being placed on the federal budget in general.

A "no-growth" budget for fiscal year 1991 would require an appropriation of $7,852,000 (i.e., fiscal year 1990 actual appropriation of $7,550,000 plus a 4.0 percent inflation factor). The Institute's request for $9,200,000 is $1,348,000 (or 17%) more than that no-growth level. While this percentage increase may be unusual in today's budget climate, we believe this funding level is justified by two basic facts:

(1) The world situation has changed so dramatically in recent months and continues to change at such a startling rate that the Institute's relevance to the national security interest in peacemaking and peacekeeping is greater than ever.

(2) The Institute has now matured as an organization to the point where it can play an even more useful and growing role in helping American policymakers and negotiators and the public in general think through and better understand the far-reaching implications of this extraordinary new era.

The Institute's budget request elaborates at length on both of these points. It first describes the evolving nature of the world scene, a scene filled with peaceful promise in Europe and yet revealing many new, deadly threats to peace on other continents and to America's national security interests in those regions.

It outlines a panorama of promising opportunities for settling some international conflicts and equally great uncertainties and dangers elsewhere. The decade ahead, for those striving for a more peaceful world, presents a more complex set of intellectual and practical challenges than the simpler decades of the Cold War. This means that Congress' decision to establish the Institute was timely indeed. Institute programs are helping to identify and unravel many of these complexities, providing unique insights about peace and peacemaking to policymakers, diplomats, the Congress and its staff, scholars, journalists, educators, students, and the American public. Never has the challenge been so great, and the Institute is helping to meet it.

As this Committee is aware, the Institute's mandate is very broad. As expressed in the United States Institute of Peace Act, it is to develop "the widest possible range of education and training; basic and applied research opportunities; and peace information services" on ways to promote international peace and conflict resolution without recourse to violence. The budget request we are submitting describes a comprehensive program which addresses these goals, gives details of solid progress toward meeting them, and proposes increased funding for selected program areas. Major emphasis for fiscal year 1991 goes to expanding educational projects and citizen information services and to responding to the new intellectual challenges of the changing global peacemaking agenda. In this statement, I will concentrate on only three aspects of our proposed budget.

RESPONDING TO THE CHALLENGES OF A NEW ERA

The Institute now gives high priority to examining current or impending conflict situations and to activities which can reinforce present trends toward liquidation of the Cold War. If our budget permits, we will direct more resources in fiscal years 1990 and 1991 toward projects that take advantage of the Institute's unique ability to serve as a bridge between operational agencies of the Executive Branch and private scholars in this country and abroad.

Even before the dramatic events last autumn, the Institute began to examine future prospects for Central and Eastern Europe, by convening a mixed study group of scholars and diplomatic practitioners. With encouragement and cooperation from the Department of State, we undertook to analyze potential conflict situations which may arise in Eastern Europe over the next five years as Soviet control recedes, and how violence there might be forestalled. The product will be a public report for U.S. policymakers and other interested audiences, to be published in March 1990. Similar projects on other potential conflict areas are scheduled for fiscal year 1991.

The Institute is also currently developing cooperative projects with Soviet and Eastern European institutions to address: (1) contrasting perceptions of the origins of the Cold War, and (2) ways to advance democratic governance and the rule of law in the U.S.S.R. and Eastern Europe.

Early in fiscal year 1991, the Institute will (1) sponsor a major conference on conflict in the Third World based largely on the work of Institute grantees, fellows and consultants, and (2) hold a small, high-level working conference on problems likely to arise from German reunification, involving European and American scholars and statesmen.

EDUCATIONAL PROGRAMS

The Institute's approach to its immense educational challenge stresses targeting special audiences and using our limited resources in ways designed to produce maximum multiplier effects.

Our priority audiences are high school students and teachers, college and graduate students and faculty, nonprofit organizational and other opinion leaders, and members of the general public with an interest in international affairs. Our programs utilize public television and videos, teacher training, curriculum development, print publications, citizen organizational networks, and a high school essay contest.

The Institute is also supporting through several grants the strengthening of pre-service and in-service training for professionals in international relations policy-making and diplomacy, including negotiation. We plan to support and/or conduct an increasing volume of such training activities in the years ahead, as resources and opportunities permit.

Educational Television and Video Programs

Market research shows strong but, as yet, unsatisfied high school teacher interest in high quality video and print materials on peacemaking. The Institute's one-hour educational television program "Face-to-Face," on the history of U.S.-Soviet summit meetings, was broadcast by more than one-third of the public television stations in the country. It was also the basis for a package of four half-hour videos accompanied by an instructional text for use by teachers and community organizations.

The Institute then decided to develop an educational series attuned to the needs of high school teachers in such courses as American history, European history, and peace studies. To achieve this goal, we are now testing a prototype for a series of segmented 30-minute videos, tentatively titled, "Breaking the Mold," dramatizing the roles of individuals who have made exceptional contributions to peacemaking. The teacher can select the full half-hour or a shorter segment to meet existing course needs. Programs will be distributed via public television, cable television and mail order. Up to three additional half-hour videos are projected in fiscal year 1990 and up to five in fiscal year 1991.

Support for a few carefully selected outside video productions has also been provided. For example, with Institute help, the Atlanta-based Southern Center for International Studies is developing an educational video and print package for schools, colleges, and civic groups derived from its televised Annual Report of former U.S. Representatives to the United Nations. Also, a grant to the Close Up Foundation supports the development of supplementary high school classroom materials based on a C-SPAN cable television series produced by Close Up titled, "Perspectives on Peace." Finally, a Jennings Randolph Peace Fellow is producing a program series for public television providing a historical analysis of the rise and decline of Communism as a factor in world affairs.

Jointly sponsored by BBC-TV and WNET-NY, the series will eventually be repackaged for classroom use.

Other Curriculum, Materials Development, and Teacher Training Activities

The Institute has made grants to a wide variety of postsecondary and other educational institutions to develop texts and other materials, courses, seminars, and teacher training activities. Among the recipient institutions are Alderson-Broaddus College, West Virginia (teacher training); Columbia University (teaching materials and teacher education on human rights and peace); Consortium on Peace Research, Education and Development, Virginia (curricular development, faculty training and regional and national network development); Luther College Nobel Prize Committee, Iowa, (curriculum development); Mississippi State University (course development and teacher training); University of Missouri, St. Louis (curriculum development and teacher training); University of Hawaii Institute for Peace (curriculum development and teacher training); University of Pittsburgh, Pennsylvania (case studies for classroom use); and Whittier College, California (innovative/classroom instruction simulations for college and secondary school students and workshops for community groups on the complexities of international negotiations).

If funds are available, we intend to expand this grant focus in fiscal year 1991 to try to meet the growing demand from similar applicants throughout the country.

Essay Contest

In its second year, the Institute's National Peace Essay Contest again attracted student participation across the country and from overseas American high schools. State first-place winners again were brought to Washington for a three-day stay, which this year included an international conflict simulation exercise and other learning opportunities. The Contest has received high praise from state governors, Members of Congress, and local education officials in a number of states. The Contest will be repeated in fiscal years 1990 and 1991.

LIBRARY PROGRAM

As a major component in its educational programming, the Institute has established a comprehensive library program designed to make more readily available materials important to the work of diplomats and other practitioners, scholars, educators, and the public on ways to resolve international conflicts without violence. The program is planned as an international resource center with activities that reach far beyond its walls. It will have four major components:

(1) A core collection in a working research library at the Institute's offices, linked by the latest technology to other library collections and databases in the United States and abroad.

(2) A newly developed guide to the Library of Congress classification system which will make peace-related materials more easily accessible to students, researchers, educators, and librarians throughout the country..

(3) Grant funds to help develop a national network of information centers with peace-related collections and databases, linked to the Institute's own core collection.

(4) An oral history program to catalog and augment the preserving of unique experiences of diplomats and statesmen who have played direct roles in efforts to settle international conflicts.

We have now developed a five-year plan for this overall program which is summarized on page 47 of our Budget Request. However, any appropriation level for fiscal year 1991 significantly lower than the requested level will result in much slower development of the projected national library network.

CONCLUSION

Mr. Chairman, since I testified first before you two years ago, the Institute has made great strides—but there is still a long way to go to fulfill our potential. In this statement, I have concentrated on only three program elements of our response to the challenge of this new, promising era in world affairs. Full funding of our Fiscal Year 1991 Budget Request is necessary to meet these challenges and to continue to develop the other programs we have now successfully launched.

To constrict the Institute to even less than a "no-growth" appropriation level, as the President's budget has proposed, would require deep cuts in the priority programs described above. We have listed those potential cuts on pages 73 and 74 of our budget request. Such an outcome would, I believe, be both paradoxical and damaging to America's ability to respond creatively to opportunities unparalleled since 1945 for achieving a more peaceful world order.

I urge you and your colleagues on the Committee to give our budget request your full support.

EASTERN EUROPE

Senator SPECTER. Would you give me a specific illustration of what you do, say, on the Mideast or Soviet policy or some other subject that you might choose?

Ambassador LEWIS. For example, early last year, long before the dramatic events in Eastern Europe unfolded, we worked out a new study project with the encouragement of the Department of State. It was our initiative, but we talked with the State Department about longer run problems that they were concerned about but were not able to do enough thinking about with respect to future contingencies. We selected Eastern Europe as an area that they were worried about but not able to devote enough resources to anticipate future conflict possibilities.

We then organized a joint study group of scholars and practitioners. We brought the most experienced diplomats and policymakers together with the best scholars in the country into a working group that met half a dozen times during the fall and winter.

Senator SPECTER. Did you produce a tangible product?

Ambassador LEWIS. As it turned out, the product, which we will publish later this month for the public at large and submit to the State Department, has been a bit overrun by events, as you can well imagine. However, we have been looking not just at this year, but also at what is going to happen over the next 3 to 5 years in that region as the Soviet Union becomes a less influential player and certain age old conflicts that have plagued Eastern Europe in earlier years again begin to rear their ugly heads. We have been looking at what kinds of preventive diplomacy could help head off some of those conflicts.

This is an example of the sort of project we are doing more of now, with the encouragement of the State Department and the National Security Council.

Senator SPECTER. How many such subjects are you able to undertake during the course of a year?

Ambassador LEWIS. For that kind of project, about two or three study groups a year, I think, is our potential. We have other working groups and grant programs which are looking at some similar questions; but of that particular sort of project, about 2 or 3 a year.

Senator SPECTER. To what extent do you do things which are not done by other think tanks, for example?

THINK TANKS

Ambassador LEWIS. We do a lot of things that think tanks do not get into. We do a lot of education work, for example. Our efforts at educating the public as well as students in high schools and in universities is a demonstration of the fact that we are a combination institution, with a mandate from Congress both for research into the questions of conflict and how to resolve it, with dissemination of that product to policymakers, to Congress and to the public; and for the broader question of how to help the American people understand better the nature of these issues.

So we have some of the character of a traditional think tank; however, unlike think tanks, we do not try to build up a big internal staff of experts. We take a topic like the one I described or one on the Middle East or one on Latin America; we then go out and get the best people in the country to come together under our umbrella and discuss it, and then we publish the results of their interaction, the papers they have written, the debates, and their conclusions.

I think by doing it in this way, we can manage as a national institution to avoid identification with any single ideological or political current in the analysis of these issues.

We also do some things that think tanks also do. We put out brief summaries for the policy community in this city and around the country of the products of some of our grants and our fellowships. We have fellows in residence who are interacting with each other as well as with the public, not only in the research they are doing but also in writing journalistic pieces for newspapers and appearing on television as experts.

So we have a variety of different kinds of projects all oriented toward the same ultimate goal: helping not only our government but our public understand better the nature of the evolving era into which we are entering.

Senator SPECTER. How much of an impact do you think you have?

WORKING GROUPS

Ambassador LEWIS. I think we are beginning to have a little, let me put it that way. Some of the working groups are very exciting. We had a working group session last night, for example, looking at internal developments in the Soviet Union, with five experts playing out different scenarios over the last few years.

Senator SPECTER. May I ask you who they were, or would you be willing to tell me who they are?

Ambassador LEWIS. Sure. They were Steve Sestanovich from the Center for Strategic and International Studies, Prof. Charles Fairbanks from the Johns Hopkins Foreign Policy Institute, Leon Aron from the Heritage Foundation, and Vladimir Brovkin from the Kennan Institute. Dr. Kenneth Jensen, who is our own Director of

Research and Studies and also a Soviet specialist, chaired the session.

Senator **Specter**. What will you do with a session like that?

Ambassador **Lewis**. We will do two things. We will quickly put out a four-page "In Brief" with the guts of some of the conclusions and distribute it to the Washington policy community and to newspapers and opinionmakers around the country. Then we will put out later an occasional paper with the basic arguments spelled out in more detail. We are going to be publishing more of those occasional papers over the next year.

Senator **Specter**. Do you think there is a disadvantage in your not being required to submit your budget to OMB?

Ambassador **Lewis**. On the contrary, I think there is an advantage. We have to submit our budget directly to you. We also have to give it to OMB to comment on. So they have every opportunity to make a judgment and to give you their own views separately in the President's budget.

As you know, this year they have recommended only $7.2 million for us when we need $9.2 million.

PRESIDENT'S REQUEST

Senator **Specter**. That is why I asked the question as to whether you might be able to do more on the President's request if it were structured differently.

Ambassador **Lewis**. I do not think so. I think, as a matter of fact, that it has only been because this committee and the Congress in general have supported our work strongly so far that OMB has come this year to accept the fact that we are a serious agency and that they should at least straightline us as they attempted to do in their submission.

So I think it is better, frankly, that we are in the position we are in. I sense that OMB treats small agencies of this kind with a bit of disdain, and they would just as soon not to have to worry about us, I think, if they did not have us on the list at all.

Senator **Specter**. Unequal disdain?

Ambassador **Lewis**. Perhaps.

Senator **Specter**. Well, Ambassador Lewis, there are a number of questions which staff has prepared. I would like to submit those to you and have you answer them in writing.

The work you do is very interesting. I just wonder as to how much of it we have access to. I think it would be good if Senators had more access to it. On the occasions when some of us are fortunate enough to have your attention, we learn quite a lot. You have a very high and deserved reputation in the Congress for the outstanding work that you have done. I have worked with you over the years, and we will do our very best to provide an adequate appropriation in fiscal year 1991.

Ambassador **Lewis**. Thank you, Senator. When you and your staff have a little time, we would love to get you to take part in some of our programs. We will send you our product. We try to distribute them as best we can around the Hill, but this is a busy place. People do not have a lot of attention for many things.

I think the work in which we are engaged is extraordinarily important in this era. It is now clear that the world is not going to be any longer in the kind of cold war we have been in so long, but there are a lot of other dangers and complexities, and there are going to be a lot of conflicts. We are in a unique position to help think through the significance of some of these complexities.

Senator SPECTER. Let me leave you with one subject matter which you might be able to provide some assistance and some guidance on.

I have traveled extensively in the Mideast, as you know, because you hosted me when you were Ambassador to Israel on a number of occasions. My own thinking is that Syria may well be ready to sit down with Israel under the aegis of just the United States and the Soviet Union, a shift in position from when they were talking about sitting only in an international conference convened by the five superpowers where the odds would have been 4 to 1.

I think that it may be possible to get Iraq to sit at a conference as well. If Syria and Iraq could be brought to the conference table in the Mideast, there could be a solution of the really critical problems, after which it may be that the Palestinian problem and others would fall into place.

Perhaps one day you and I can talk about that further.

Ambassador LEWIS. I would like to. We have a couple of studies going on potential roles for Syria in a peace process, under grants that we are sponsoring. They are really quite promising, and I would like to talk to you about those.

Senator SPECTER. Very good. Thank you very much for coming today. Sorry to keep you so long.

Ambassador LEWIS. Thank you very much.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator SPECTER. There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Institute for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Effects of President's Requested Appropriation

Question: Your budget submission states that if we accept the President's request and freeze the Institute's budget below the level provided in FY 1990, the Institute will not be able to address adequately the pressing needs and opportunities created by the extraordinary events of the past year. How will this affect the activities and programs of the Institute of Peace?

Answer: The Institute's response to this question (1) stresses the importance of identifying a no-growth level for the Institute as the point of comparison for fiscal year 1991 appropriations; then (2) explains the impact on Institute initiatives of being held to this no-growth amount; and finally (3) closes with the additional severe effects of being cut to the President's level.

No-Growth Level as Baseline: The President's "freeze request" for fiscal year 1991 in fact would represent a serious reduction over the funds appropriated for fiscal year 1990:

Institute's Budget Request for FY 1991	$9,200,000
"No growth" Budget (FY 1990 level plus 4% inflation)	7,852,000
Institute FY 1990 final appropriation	7,550,000
President's FY 1991 Budget Request	7,270,000

The President's proposal would be 3.7 percent less than the Institute's final appropriation for fiscal year 1990 and 7.4 percent less than a no-growth budget. It is the level of $7,852,000 that should be taken as the baseline against which to compare increases or decreases from fiscal year 1990 to fiscal year 1991.

Effects of Funding at No-Growth Level: An appropriation at the no-growth level of $7,852,000 will severely restrict the Institute's ability to respond to the new challenges of the current world situation and to continue with its increasing emphasis on education and outreach. The cuts which would be required are described on pp. 20-21 and 73-74 of the Institute's Budget Request for Fiscal Year 1991.

The Institute is positioned to respond in timely and innovative ways to the historic changes in Central and Eastern Europe, the Soviet Union, and Central America. A reduction in fiscal year 1991 appropriations as proposed by the President's Budget would cut into the heart of those efforts. Specifically, the Institute's plans include:

> (1) Following the successful conclusion of its study group on potential points of conflicts in Eastern and Central Europe, the Institute will review with key policymakers at the State Department as well as outside policy analysts the next applications of this initial government/private sector cooperative effort to other pressing public issues. The first project showed that the Institute, as a federal entity, can serve as a government-private sector bridge to focus analysis on critical issues central to the opportunities for increased international peace. The Institute has budgeted for two study groups in fiscal year 1991, preliminarily anticipated to address the Soviet nationalities problem and peace and security issues in Latin America. Without the requested funding, at least one of these study groups could not be convened.
>
> (2) The beginning steps in cooperative projects with the Soviet Union are taking place in fiscal year 1990: (a) an examination conducted jointly by prominent American historians and principal Soviet historians of the causes

of the Cold War, paying special attention to possible lessons for our current and future relationships, and (b) the launching of a rule-of-law initiative with leading legal experts from the two countries, examining the significance and applicability of the American democratic and constitutional experience to the political, legal and institutional changes currently under hot debate in the Soviet Union (with a related Institute activity taking a similar approach to other Warsaw Pact countries). In the current fiscal year, both projects will conclude the first round of substantive meetings. Reduced funding would limit the Institute to continuing only one of these projects in fiscal year 1991.

(3) The solicited grants competition is now being planned to cover such subjects as (a) peace and stability in the Asia-Pacific region, including Cambodia and Korea and the regional security role of Japan, and (b) militarization in the Third World and its effect on regional conflicts. To sufficiently concentrate funds so as to attract applications and make enough awards to ensure breadth of coverage, reduced funding would require a reduction to only one subject in the coming fiscal year.

(4) At the proposed reduced funding level, the number of resident fellows would have to be cut by almost 20 percent, at a time when the need for their concentrated reflection, research, and public engagement on peacemaking issues has never been greater.

(5) Two conferences growing out of current work and responding to critical strains in the world community are planned for the upcoming fiscal year, one on Third World conflicts ranging from the Horn of Africa to Latin America to Southern and Southeast Asia, and the other on conflict situations likely to arise from German reunification and from political adjustments in Eastern Europe. Reduced funding will require the elimination of one of these conferences.

In addition, a reduced budget would seriously curtail important parts of the Institute's effort to encourage and provide greater public understanding and appreciation of recent international events:

(6) At a time of increasing demand, interest, and capacity around the United States, grants for education, training, and library and database development would be reduced in number and size.

(7) The production of videos for use by secondary school teachers would be halved.

(8) The publication of a significant number of Institute products, especially those produced as reports and books, would be delayed or eliminated.

(9) Library acquisitions would remain static and library development curtailed.

Effects of Funding at President's Budget Level: A reduction to the level of the President's budget request would mean a combination of (a) almost complete elimination of new initiatives responding to the new era in world affairs and (b) further reduction in the Institute's core activities including no growth for the library, even fewer grants and fellowships, and further reductions in the standard, routine activities of the Institute such as public workshops, community outreach programs, and unsolicited grants.

Institute's Budget Growth and Program Priorities

Question: The Institute's budget has grown steadily and substantially in the past 5 years. If you expect the Institute's activities to grow in FY 1991, can they be funded out of other parts of the budget? Is it time for us to step back and set some priorities with the current funding level?

Answer: Although the Institute's appropriation has grown over five fiscal years from its initial level of $4,000,000 to its current level of $7,550,000, it is still a small amount when compared to the size and complexity of the Congressional mandate under which the Institute operates. The Institute has commenced a program planning process covering the period through fiscal year 1994 and has concluded that it could responsibly utilize appropriations in the range of $15 to $18 million a year by the end of that period. It is also important to keep in mind the level of the Institute's authorization which is $10,000,000 for the current year and for fiscal year 1991 and $15,000,000 for fiscal years 1992 and 1993. By keeping below this authorized level, the Institute recognizes the present overall constraints on federal funding in general.

As part of its planning and budget process, the Institute has identified priority areas of concern that include (1) responding to the challenges of the new era in world affairs arising from changes in Europe and the Soviet Union and (2) emphasizing the development of educational and outreach to key target audiences and the American public in general. As explained in its Budget Request for Fiscal Year 1991, the Institute has cut back a number of its core activities in order to be able to fund these high priority areas. Thus, funds budgeted for unsolicited research grants are being reduced by about 40 percent between fiscal year 1989 to fiscal year 1991. Resident fellows are being reduced by 20 percent from fiscal year 1989 to fiscal year 1990. Public workshops have been reduced from nearly monthly to four a year. Book acquisitions for the library and some research groups have been either dropped or deferred.

To reduce these core activities further would risk significant damage to the relationships, enthusiasm, and public confidence that the Institute has succeeded in building over the past several years. It could also change the nature of the Institute. No longer would it be both a contemporary and increasingly useful bridge between specialists in the private sphere and government policymakers and a forum and catalyst for deeper, more sophisticated thinking and teaching about the world-shaping issues of peace and war that mark this extraordinary time in which we live.

Balances in the Endowment

Question: In September 1987 the Institute established the Endowment of the U.S. Institute of Peace. What is the current balance of the endowment and what are the funds used for?

Answer: The Institute transfers funds from the Institute's Treasury account to the Endowment's account where they are used to fund payments of grants, fellowships, office rent and certain other program costs. (See footnote 18 on p. 13 of the Institute's Budget Request for Fiscal Year 1991.) These funds are maintained in interest-bearing checking accounts and in United States Treasury bills pending expenditure for obligations entered into pursuant to the United States Institute of Peace Act. As of February 28, 1990, the balance in the Endowment was $5,733,102.99. This balance funds obligations entered into through that date and others to be incurred through the end of the fiscal year 1990. It is planned that all available funds will be committed or obligated by the end of the fiscal year.

Education and Training Program -- Other Services

Question: More than half of the Institute's Other Services Budget is for Education and Training. What are the Institute's major initiatives that will use these funds?

Answer: Of the $9,200,000 requested, the Institute plans to expend $1,576,000 in the Object Classification of "Other Services." Of this amount, $750,000, or 47.6 percent, is included in the Education and Training Program for the following activities:

Educational Television and Media Project	$700,000
National Peace Essay Contest	40,000
Miscellaneous Expenses	10,000
TOTAL	$750,000

Educational Television and Media

As indicated, a major portion of the "Other Services" category will fund the design, production and marketing of a series of television and video programs principally for use in classrooms at the secondary level and by civic discussion groups. Under the series title "Breaking the Mold," a first unit, produced as a pilot, covers the beginning of the Cold War during the late 1940s and then highlights the initiatives of President Eisenhower in the holding of summit meetings with Soviet leaders during the 1950s. Later units currently being planned will provide reviews of the development of democracy in post-war Eastern and Central Europe and the efforts that led to the Camp David accords between Egypt and Israel. One unit on Eastern and Central Europe will deal with the exercise of strict control by the Soviet Union as evidenced during the riots in Berlin in 1953, the uprising in Hungary in 1956, and the Prague spring of 1968. Another unit will then present the evolution of freedom and democracy from the birth of the Solidarity movement in Poland through the opening of the Berlin Wall and the establishment of democratic regimes in Czechoslovakia and elsewhere in 1989. Future topics being considered include the history of post-World War II relations with China ending with the reopening of relations through the efforts of Secretary of State Kissinger and President Nixon; the evolution of African nations from colonialism through various internal and regional conflicts to today's mixture of promise and uncertainty; and the history of the peace process in Central America. (See also pp. 51-53 of the Institute's Budget Request for Fiscal Year 1991.)

National Peace Essay Contest

The other project funded under "Other Costs" is the Institute's National Peace Essay Contest. This year's contest has drawn nearly three times the number of essays received in prior years and is steadily gaining support from educators and political and civic leaders at all levels throughout the United States. A highlight of the program is the annual awards program in Washington, bringing first place state winners together for a special educational program and providing opportunities to meet and speak with dignitaries including their Congressional representatives. The top three winners in each state and three national winners receive college scholarship awards.

Education and Training Program -- Educational Television and Media Program

Question: Again this year the majority of Education and Training budget is for Educational Television and Media Programming. What progress has been made in developing educational video and print packages for schools, colleges and civic groups?

Answer: The Close Up Foundation recently completed a national study of the views of high school teachers of history, government and related subjects about materials for teaching peace and security issues. Their study strongly supports the potential importance of the Institute's series of half-hour educational videos with teacher's guides now in production.

Before deciding to proceed with its "Breaking the Mold" series, the Institute also has conducted research with both students and teachers to inform the planning of the series and, following the development of the pilot unit, to test the unit's utility and gain other useful information. This research confirms the Close Up findings. The Institute's research also indicates that (a) one half-hour is the optimum video length, (b) a teacher's guide that includes reproducible student hand-outs is an ideal format, and (c) the pilot video topic and treatment are attractive to both teachers and students. The video and print packages will also be suitable for use by community groups such as civic organizations, peace groups and religious study groups as well as by community colleges and four year colleges.

Progress in the development of the video and print packages thus far in fiscal year 1990 is very satisfactory. Public and cable television organizations have indicated an interest in participating in the distribution, which will also utilize a variety of other video marketing channels such as direct mail. Fiscal year 1991 plans are to continue the production and distribution of such materials, all designed to fill the gaps most deeply felt by classroom teachers.

The substance of the Institute's programs in this area are described on pp. 51-53 of its Budget Request for Fiscal Year 1991.

Topics for Grants

Question: The Institute is again requesting additional funding for Solicited and Unsolicited Research Project Grants. What are the topics for Solicited and Unsolicited Grants in FY 1990 and FY 1991?

Answer: Unsolicited Grants: The Institute does not select in advance topics for unsolicited grants. Instead, it accepts for review applications for any topics that fall within its broad Congressional mandate. The Institute's Board of Directors has identified a number of broad purposes for which grants will be considered. These include, but are not restricted to, research on the relationship between adherence to international human rights standards and international peace; perceptions of peace across political systems and ideologies, including the comparative status of peace movements and their impact under different political systems, and a comparative assessment and survey of the teaching of peace; negotiations, including lessons from the negotiations between the United States and the Soviet Union, and general lessons in the art of negotiation; and the relationship between domestic political systems and the aggressive use of force. The Board of Directors has also placed special emphasis on the development of curricula and materials for the study of international peace and conflict issues from high school through post-graduate programs; curricula and materials for negotiation, mediation, and conciliation theory, teaching, and training; and library programs, databases, bibliographies, and collections.

The topics covered by projects that the Institute has funded, including unsolicited grants, are described in Appendix A to the Institute's Budget Request for Fiscal Year 1991. These projects have addressed, for example, a broad range of topics on international conflict including the future of the NATO alliance; the proliferation of high technology weapons systems and prospects for regional arms control; the role of third party negotiators in the resolution of regional conflicts; the implications for Western security policy of recent changes in Soviet foreign policy behavior; international humanitarian law as it applies to armed conflict at sea; the impact of economic and technical interdependence on sovereignty and national security; religious and ethical questions in war and peace; the use of nonviolent actions in political change; and the prospects and limitations of deterrence as a strategy for conflict management.

Solicited Grants: To help implement its policy of defining more of the topical content of the work it supports in advance, the Institute began its first Solicited Grant cycle in fiscal year 1988. The solicited grant competition in that year included five topics, including the role of deterrence in avoiding war, third world armed conflicts, and the role of religion in peace and war. In fiscal year 1989 the competition covered case studies of regional conflicts and lessons learned from the way in which they were terminated.

During fiscal years 1990 and 1991, the Institute will focus its solicited grants on high-priority areas of significant change in the world. (See pp. 20-21 of the Institute's Budget Request for Fiscal Year 1991.)

In fiscal year 1990 the Solicited Grant competition features two critical topics: (1) Prospects for Conflict or Peace in Central and Eastern Europe; and (2) War, Peace, and Conflict Resolution in Latin America and the Carribbean. The Board of Directors selected the first topic as an extension of the Institute's efforts in its Study Group on "Future Prospects for Conflicts or Peace in Eastern Europe." This Study Group was conceived, in consultation with the Policy Planning staff of the U.S. Department of State, as the first of an ongoing series of policy-oriented reports on potential conflicts that may lie just beyond the current attention of U.S. Government policy analysts. The Institute expects that solicited research projects on Eastern Europe will help to expand and deepen understandings gained from the work of the Study Group.

The second topic on Latin America was selected because it was recognized as a critical area of concern for peacemakers. To help pinpoint priority issues for consideration in framing this solicitation on Latin America, the Institute held a meeting of some 20 distinguished scholars and policy experts on the region. Their recommendations served as the basis for Board selection of the following four topics featured in the brochure: (a) civil-military relations; (b) drug trafficking and narco-terrorism; (c) administration of justice and the rule of law; and (d) international political economy and regional security.

The fiscal year 1991 Solicited Grant Topic(s) will be selected in late summer 1990 and will depend in part on developments in the world between now and then. The following are among the subjects currently under consideration:

(1) Peace and Security in the Asia-Pacific Region Including Cambodia, Korea, and the Role of Japan in Regional Security

(2) Militarization in the Third World and Regional Conflict

(3) U.S.-Soviet-Chinese Relations and the Future of East Asia

(4) Nuclear, Conventional, Chemical/Biological Weapons: Controlling the Spread of Advanced Armaments

(5) European Peace and Security -- The European Community and 1992

(6) Conflict Resolution in the Post-Cold War Period

(7) Conflict and Cooperation On Environmental Issues

Education and Training -- New Centers for Peace and Conflict Resolution

Question: Ambassador, you are aware that this committee is very interested in the education and training of the public. In the past year, have any new centers been established that focused on peace and conflict resolution?

Answer: It is difficult to determine the number of all types of new centers related to peace and international conflict resolution, because there is no standard definition or criterion for such a classification. However, if one focuses only on peace studies programs, even though the problems of definition remain, one can conclude that the peace studies field has grown significantly during the last five years. Officials of the Peace Studies Association estimate that 200-400 colleges and universities offer some sort of peace studies discipline and estimate that 10-20 programs were inaugurated during the last year.

The Institute shares the committee's deep interest in the education and training of the public. Taking into account all of its education, library, and other outreach activities, its allocation of funds for these purposes will be approximately two-thirds more in fiscal year 1991 than in fiscal year 1989.

The Institute has awarded grants in support of more than 20 existing programs for curriculum development in peace and security and international conflict resolution and related teacher training at the precollegiate and collegiate level.

Vacancies on Institute Board -- Women and Minorities

Question: Next year the Institute will have two vacancies on its Board. What plans are you making now to recruit qualified minority applicants - especially women?

Answer: As of January 20, 1991, there will be six vacancies among the nongovernmental members on the Board of the Institute. The responsibility for identifying and recruiting qualified members for the Board lies with the President of the United States and the White House staff, who must then seek the confirmation of the Senate for the individuals that the President nominates. Although the staff of the Institute has an understandable concern that those nominated include highly qualified individuals who represent an appropriate cross-section of American society, it would not be appropriate for the staff to conduct such recruitment activities on its own independently from the President.

Increase in Personnel, Other Services and Grants, Subsidies, and Contributions

Question: The Institute's FY 1991 request for $9.2 million and 3 FTE is 17% more than the "no-growth" level and $1.9 million more than the President's budget. The major areas of increase are Personnel Compensation, Other Services, and Grants, Subsidies and Contributions: Why is there a large increase in these areas? What specific programs and activities are targeted to receive these funds? How will these increases contribute to the mission and mandate of the Institute?

Answer: The Institute's fiscal year 1991 request for $9.2 million is $1,348,000, or 17 percent, more than the "no-growth" level of $7,852,000. The increases projected for selected Object Classifications are as follows (in $000's):

Object Classification	FY1990	FY1991	Net Change
Personnel Compensation	1721	1944	223
Other Services	1322	1576	254
Grants, Subsidies and Contributions	3033	3696	663

Personnel Compensation: The increase in Personnel Compensation will fund an increase in the number of permanent positions from 39 to 42 and of total compensable workyears (FTEs) from 42 to 46. As planned, the increases in permanent positions will include two in the Library Program and one in the Office of Administration. The Institute's Library Program is very labor intensive and will add one middle level person and one support person. The small administrative office needs more staff to handle the increasing workload caused by the growth in the Institute's programs and to accommodate increased demands arising from the fact that the Institute's longstanding support arrangement with the White House Office of Administration will come to an end at the close of fiscal year 1990.

Other Services: The increase of $254,000 in Other Services is attributable to the Education and Training Program's project for Educational Television and Media Programs. The Institute plans to increase its production of video programs for use in secondary classrooms and in civic groups as described in an answer to a preceding question and on pp. 51-53 of the Institute's Budget Request for Fiscal Year 1991. As planned, this program will help the Institute in two primary areas by (1) focusing on critical areas of change in the world such as the movement from Soviet control to the development of democracy in Eastern and Central Europe, and (2) furthering the Institute's purpose of substantially expanding its educational and public outreach activities.

Grants, Subsidies and Contributions: The increase of $663,000 for Grants, Subsidies and Contributions includes the following (in $000's):

	FY 1990	FY 1991	Net Change
Grants	2317	2769	452
Fellowships	676	885	209
Scholarships	40	42	2
TOTAL	3033	3696	663

In the Grant Program, unsolicited grants will increase from 1361 to 1419 (i.e. by 58) and solicited grants will increase from 956 to 1350 (i.e. by 394), thus continuing the Institute's policy of emphasizing solicited grants. Topics picked will be high priority concerns based on the state of the world at the time of the competition as described in the answer to a preceding question.

The increase in Fellowships will permit the Institute to resume a controlled growth of its fellowship program. Whereas in fiscal year 1989 the Institute made awards to 10 Distinguished and Peace Fellows and 12 Peace Scholars for an overall total of 22, the comparable numbers in fiscal year 1990 will be 8 Distinguished and Peace Fellows and 10 Peace Scholars for an overall total of 18. In fiscal year 1991, the budget requested would permit the Institute to make full year awards to 11 Distinguished and Peace Fellows and 10 Peace Scholars for a total of 21 full year fellows and also add 2 Visiting Fellows for shorter terms. Selection of residential fellows in fiscal year 1991 will be made with special attention to areas of dramatic change in the world that fall within the Institute's high priority concerns.

Report on Eastern Europe Conflicts

Question: Mr. Ambassador, in your opening statement you mentioned that a public report will be published next month on potential conflict situations in Eastern Europe. Would you please see that the committee gets copies of this report?

Answer: Our study group report, entitled "The Future Prospects for Conflict or Peace in Central and Eastern Europe," will be circulated broadly among policymakers in the Congress and Executive Branch and will be make available to the general public. The Institute will make sure that copies are delivered to the committee.

Other Areas of Potential Conflicts

Question: What other areas of potential conflict has the Institute targeted for FY 1991?

Answer: As noted on p. 20 of the Institute's Budget Request for Fiscal Year 1991, the Institute plans to dedicate more of its funds to the following priority areas that involve conflicts or potential conflicts:

Central and Eastern Europe
Soviet Union, including relations with the United States
    and with its own nationality groups
Latin America
Regional conflicts in general
Other priority topics emerging over the next year

The Institute's ability to address these priority areas depends on the level of its fiscal year 1991 funding. The current state of the Institute's work in each of these areas, briefly stated, is as follows:

As described in greater detail in the answer to the following question, the Institute is completing its work on its public workshop on the prospects for political pluralism in Eastern Europe and on the study group on Central and Eastern Europe and is preparing reports for publication. By mid-summer it will be finishing its review of solicited grant applications in this area. The Institute is also conducting a survey of work being done to advance democratic governance and the rule of law in Eastern Europe. Later this year its educational television and video program will complete two programs on the evolution of this region from 1945 to 1989. During the winter of 1990-1991, the Institute plans to hold a working conference as a follow-up to the study group and solicited grant efforts to consider the state of political development in the area and the effects of the movement toward German reunification.

In regard to the Soviet Union, the Institute has begun two cooperative projects with the Soviet Ministry of Foreign Affairs and other Soviet organizations: one is on the history and causes of the Cold War from 1945 to 1949, with special emphasis on its relevance to current U.S.-Soviet relations, and a second is on ways to advance democratic governance and the rule of law in the Soviet Union. The Institute expects that its Fellowship Program will support work on the transition in the Soviet Union from a planned to a market economy. For fiscal year 1991, a leading candidate for a study group modelled after the one on Central and Eastern Europe is the question of the status of nationalities with the Soviet Union. The Institute is also commencing a working group on the role of religious intolerance and discrimination that will study the state of religion in the Ukraine among other cases.

In regard to Latin America, the Institute is completing its solicited grant competition covering the topics of civil-military relations, drug trafficking and narco-terrorism, the administration of justice and the rule of law, and the international political economy and regional security. Some mixture of these topics also constitutes a strong candidate for a study group to be developed in consultation with the Policy Planning staff of the Department of State. The Institute also expects its fellowship awards to support work in the area of internal and regional conflicts in Latin America.

Other regional conflicts will also receive more attention through fiscal year 1991. In October 1990, the Institute will sponsor a conference drawing on the work of its fellows and grantees on various regional conflicts throughout the world. Topics being considered for the Institute's solicited grant competition in 1991 include: (1) peace and security in the Asia-Pacific region, including Cambodia, Korea and the security role of Japan, and (2) militarization in the Third World and regional conflict. During 1991, the Institute expects that among the subjects its fellows will be studying are regional conflicts in the Middle East and South Asia and the role of the People's Republic of China.

With world events still moving quickly, it is not possible to anticipate definitely what further changes may take place, but the Institute wishes to recognize that some funds may be devoted to matters which have not yet been clarified but later become central to the Institute's Congressional mandate.

Examples of Institute Contributions to Peace and Peacemakers

Question: In your opening statement you cite Institute programs as helping to unravel many complexities and provide unique insights about peace and peacemakers to policymakers, diplomats, the Congress and staff, scholars, educators, students and the American public. Would you please give us some examples of your activities in this regard?

Answer: Much of the Institute's work helps explain complexities and provides insights about peace and peacemakers in the sense referred to in the question. Appendix A to the Institute's Budget Request for Fiscal Year 1991 includes a description of all of the Institute's work divided into topical categories such as conflict management, United Nations and international organizations, East-West relations, terrorism and low-intensity conflict, and regional conflicts in Africa, the Middle East and other areas. This document describes the Institute's grants, fellowships and other research and education programs. In addition, Appendix D to the Budget Request describes in greater detail the work of all of the fellows of the Institute from fiscal year 1987 to fiscal year 1990.

Below we give a few brief examples of fellowships and grants that help answer the question and then offer in more detail how the Institute during the last year has developed a special capability in Central and Eastern Europe that will serve as a foundation for its work in that area for years to come.

Examples of Fellowships and Grants

In the area of Southern Africa, Distinguished Fellow Chester Crocker, former Assistant Secretary of State for African Affairs, is drawing on research and his personal experiences to write a book on the roles played by the United States and other third parties and on the mediation techniques that brought about the Angola-Namibia settlement. Another Distinguished Fellow, Herman Nickel, who is the former U.S. Ambassador to South Africa, is writing a book on the potential role of economic interdependence as a means of building peace among and within the countries in Southern Africa.

Concerning conflict in the Horn of Africa, Distinguished Fellow Francis Deng, former Sudanese Minister for Foreign Affairs, is completing a book on the prospects for peace and unity in the Sudan, and Peace Fellow, Goshu Wolde, former Foreign Minister of Ethiopia, is developing proposals aimed at negotiated settlements in Ethiopia, Somalia, and the Sudan.

Several fellows and grantees are doing comparative studies of conflicts:

> Ted Robert Gurr, a Peace Fellow, is developing and analyzing a database identifying the characteristics and grievances of more than 280 ethnic and regional groups that have been at risk of conflict within their societies and

will produce a book on the escalation, internationalization, and resolution of civil and minority wars.

Mark Katz, also a Peace Fellow, is directing a study of the obstacles and opportunities for U.S. and Soviet cooperation in resolving Third World conflicts, including Afghanistan, southern Africa, the Horn of Africa, Cambodia, the Middle East, Central America, and Asia and the Pacific.

The Oxford Research Group is studying how major inter-state and civil conflicts were resolved between 1945 and 1985, including a comparison of peacefully resolved conflicts with conflicts resolved through use of arms in order to identify factors that have favored peaceful, constructive outcomes.

Central and Eastern Europe

During 1989 the Institute developed a substantial capability to deal with issues in Central and Eastern Europe. A detailed description of this process should help demonstrate how the Institute can respond to rapid changes in the world that affect prospects for peace.

In January 1989, the Institute began to plan a public workshop on the prospects for political pluralism in Eastern Europe in order to discover from members of the opposition forces in Poland and Hungary how they felt about democracy and its future prospects. In bringing Polish and Hungarian reformers from different parties together, the Institute also hoped that they would exchange views and thus increase the chances for peaceful progress toward pluralism in the Eastern bloc. The workshop was planned for June 1989 but had to be postponed until September because some participants had become so involved in the dramatic events in Hungary during the spring. New Polish participants had to be enlisted during the summer, since the original invitees had all joined the Mazowiecki cabinet.

To broaden the effect of the workshop within the United States, the Institute worked together on the project with the Atlantic Council of the United States and the Center for International Security and Strategic Studies of Mississippi State University (the site of the event). We invited a wide range of U.S. scholars and policymakers, as well as foreign diplomats; planned several post-workshop publications; arranged for the event to be broadcast on Mississippi's educational television network and encouraged our cooperating institutions to take advantage of the presence of the Poles and Hungarians. Mississippi State University invited students, faculty, and civic leaders from around the state to attend and arranged meetings for the participants with state officials, including the Governor. The Atlantic Council held back-to-back seminars with workshop participants at the National Press Club in Washington on the Polish and Hungarian economies, with coverage by C-SPAN.

The workshop had the following effects:

> It brought together leaders of Hungarian opposition groups and Polish and Hungarian reformers who had not met together before.
>
> It exposed these Eastern Europeans, who will very likely play significant roles in the future of their countries, to a wide range of U.S. scholars, policymakers, and citizens. It also exposed U.S. policymakers, foreign diplomats, and large numbers of U.S. citizens to Eastern European reformers for the first time.
>
> It produced an Institute In Brief that was circulated to more than 2,000 readers; will produce an Institute Occasional Paper on Eastern European attitudes toward democracy and international relations during the early months of reform in Poland and Hungary; and will produce a commercially published book edited by faculty at Mississippi State University.

As a next step in its work regarding Central and Eastern Europe, the Institute organized a study group project, entitled "The Future Prospects for Conflict or Peace in Central and Eastern Europe." This project, conceived in consultation with the Policy Planning staff of the U.S. Department of State, is the first of an ongoing series of study groups and reports planned to treat potential conflicts that lie just beyond the current attention horizon of U.S. government policy analysts. The Institute's aim is to provide policymakers with information, analysis, and possible peacemaking alternatives on potential problem areas well in advance of crises. These study groups will generate brief public reports with both analysis and options for future consideration by the Executive Branch, the Congress, and the interested public.

The study group was conducted between October 1989 and January 1990, the period of greatest change in Central and Eastern Europe since World War II. The first session, on the future viability of East Germany, was held on October 10, one week before the beginning of dramatic events there. The five meetings that followed occurred shortly before substantial changes in other countries in Central and Eastern Europe.

At the time the study group began its work, it was the only activity of its type regarding Central and Eastern Europe being conducted in Washington. Initially a gathering of 15 present and former policymakers and scholars, the study group eventually involved nearly sixty experts and included representatives from most of the pertinent offices of the Departments of State and Defense, USIA, the National Security Council, Congress, and the Office of the Vice President of the United States. Among the expert participants were at least one former U.S. ambassador to each Central and Eastern European country, as well as officials presently with direct responsibility for U.S. policy toward the region. A number of Central and Eastern European political figures also took part, among them a veteran Hungarian dissident, an advisor to Solidarity, and one of the Yugoslav thinkers most responsible in the 1960s for "socialism with a human face." Former Romanian ambassador to the U.S. Corneliu Bogdan proceeded directly from the study group to become spokesman—and Deputy Foreign Minister—for the new government in Romania during the early days after the fall of Ceausescu.

The report of this study group will be useful for both policymakers and the interested public. Also, the members of the study group assisted electronic and print media in the U.S., Canada, and Europe in their coverage of the events of the fall of 1989. For example, Peace Fellow Milan Svec, a member of the group, became a familiar commentator on events in Czechoslovakia. Group rapporteur Vladimir Tismaneanu and members Ambassador Roger Kirk and Charles Gati participated extensively in the coverage of Romania. Other study group members were also active contributors to the media.

Emphasis on Library Program

Question: The Institute has established a comprehensive library program designed to make materials on international non-violent conflict resolution available to special interest groups and the general public. Why is the Institute placing such emphasis at this time on the development of its Library Program?

Answer: The Institute's Library Program is designed as a technologically up-to-date international resource center with activities and impacts that reach far beyond the Institute's walls. It enables the Institute to help serve both the immediate and longer-term educational and informational needs of the executive and legislative branches of government which face tremendous decisionmaking challenges as the Cold War ends and a new, uncertain, and hopeful but dangerous era begins. The program also enables the Institute to reach scholars and practitioners focused on basic and applied questions of international conflict management as well as those persons in the general public who have direct interest in the subject area, whether they are high school and college students and their teachers or adults with an interest in international affairs.

While fully understanding that this is a time of difficult fiscal choices, the Institute is confident that investment as proposed in its Library Program will have immediate beneficial consequences upon the necessary decisions and accompanying dialogue we as a country face. As described below, the Library Program includes not only the creation of a first-class and needed research facility, but also the kind of serious attention that only a national institution can bring in order to link resources around the nation and to increasingly systematize and facilitate access to the information needed by policymakers, thinkers, students and teachers, and the interested citizenry in this pivotal period of world history.

In building its core collection, the Institute library offers direct support for the work of its fellows and staff, students and scholars participating in Institute programs, and specialists in Congress, including the Library of Congress, and in the executive departments, agencies, and offices. The collection will concentrate on the literature and related resources of peace, international conflict resolution, security, and war, including negotiation, peacekeeping, arms control, disarmament, international law, and aspects of history, political science, economics, sociology, and science and technology.

The program has already begun to be recognized as a catalyst for other library institutions in helping them to focus their efforts to expand access to information important for informed peacemaking and peacebuilding. The Institute has prepared local guides to library resources in Atlanta and Austin as part of its outreach program, and it soon will publish Guides to Library of Congress Subject Headings and Classification on Peace and International Conflict Resolution, a volume that is expected to be useful not only in the United States but in other countries, too. In addition to such demonstration programs and aids to the library community, significant steps have been made in identifying and beginning the development of a national electronic network among special collections and databases throughout the country. Finally, as part of the effort to refine and extend knowledge on peace, conflict, and security, the Program has begun to identify and catalogue oral history tapes and collections that preserve the experience of outstanding diplomats, public officials, and other negotiators and peacemakers and to enlarge this important information base by supporting interviews of individuals whose views are not yet recorded or whose earlier interviews overlooked important recollections.

Opportunities for Peacemaking

Question: The world is experiencing a time of rapid change and turmoil particularly in the Soviet Union and Eastern Europe as well as the Third World. How does the Institute plan to help America take advantage of the opportunities for peacemaking presented by these developments?

Answer: During late 1989 and early 1990, the Institute launched a number of priority activities to take advantage of current opportunities. The first of these has been our study group series (see above regarding the first of these, on Central and Eastern Europe), which assists the U.S. government, the broader policy analysis community, and the interested public in anticipating and preparing for new conflicts and opportunities for preventive diplomacy and peacemaking. Currently, the Institute plans to stage two study groups a year. The list of possible topics is long, as the number of potential conflicts in the world remains substantial. We will proceed one study group at a time, using the best advice of the Policy Planning staff of the State Department and other experts to make a timely choice. Topics under consideration for the balance of fiscal year 1990 and fiscal year 1991 include the Soviet nationalities problem, regional peace and security issues in Latin America, Japan's evolving role in Asian security, and the impact of German reunification on European stability.

The Institute's second priority activity has been the development of cooperative work with the Soviet Union. In early summer of 1990, the Institute will cooperate with the Research Coordination Center of the Ministry of Foreign Affairs (USSR) in a historical research project on the origins of the Cold War. The purpose of the project is to compare historical prospectives and to generate new U.S. and Soviet scholarship on the decisive events of 1945-50. It is hoped that this effort will assist in the positive evolution of U.S.-Soviet relations by dispelling historical misperceptions about the crucial early Cold War years. The Institute and Center are planning a three-day working conference of eminent Soviet and American scholars and historians in Moscow. The group will then meet with senior Soviet officials to discuss its findings and their implications for Soviet-American relations. Shortly thereafter, the group will reconvene in Washington for similar meetings with senior American officials. The Institute will publish a report on the proceedings.

A similar working conference, on another topic yet to be chosen, again involving U.S. and Soviet scholars and officials, will be convened by the Institute and the Center in Washington during the fall of 1991.

While this activity is going on, the Institute—in collaboration with the Departments of State and Justice and USIA--is helping to launch a project involving U.S. experts on constitutionalism and the rule of law and Soviet experts involved in the movement for legal reform in the Soviet Union. The group will meet in Moscow in March 1990 to address such topics as the separation of powers and checks and balances, judicial review, enforcement of judgments, federalism, civil liberties, criminal justice, and administrative due process.

A third priority activity is a conference on conflict resolution in the Third World. During the fall of 1990, the Institute will hold a three-day conference on the "Causes of Regional Conflict and Prospects for Regional Peace" in Washington. The conference will highlight research being conducted by a number of the Institute's grantees and fellows on this topic and will include a wide variety of scholars and policymakers. It will be followed by editorial work and contract research that will produce two publications of the Institute: the proceedings of the conference and a book of essays on the subject.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

Effect of President's Budget Request

Senator Specter: Ambassador Lewis, I note that the President's budget request is nearly $2,000,000 below the amount proposed by the Institute. What would the impact be on the Institute's activities if the President's recommendation were adopted by Congress:

Ambassador Lewis: The Institute's response to this question (1) stresses the importance of identifying a no-growth level for the Institute as the point of comparison for fiscal year 1991 appropriations; then (2) explains the impact on Institute initiatives of being held to this no-growth amount; and finally (3) closes with the additional severe effects of being cut to the President's level.

No-Growth Level as Baseline: The President's "freeze request" for fiscal year 1991 in fact would represent a substantial reduction over the funds appropriated for fiscal year 1990:

Institute's Budget Request for FY 1991	$9,200,000
"No growth" Budget (FY 1990 level plus 4% inflation)	7,852,000
Institute FY 1990 final appropriation	7,550,000
President's FY 1991 Budget Request	7,270,000

Thus the President's proposal would be 3.7 percent less than the Institute's final appropriation for fiscal year 1990 and 7.4 percent less than a no-growth budget. It is the level of $7,852,000 that should be taken as the baseline against which to compare increases or decreases from fiscal year 1990 to fiscal year 1991.

Effects of Funding at No-Growth Level: An appropriation at the no-growth level of $7,852,000 will severely restrict the Institute's ability to respond to the new challenges of the current world situation and to continue with its increasing emphasis on education and outreach. The cuts which would be required are described on pp. 20-21 and 73-74 of the Institute's Budget Request for Fiscal Year 1991.

The Institute is positioned to respond in timely and innovative ways to the historic changes in Central and Eastern Europe, the Soviet Union, and Central America. A reduction in fiscal year 1991 appropriations as proposed by the President's Budget would cut into the heart of those efforts. Specifically, the Institute's plans include:

> (1) Following the successful conclusion of its study group on potential points of conflicts in Eastern and Central Europe, the Institute will review with key policymakers at the State Department as well as outside policy analysts the next applications of this initial government/private sector cooperative effort to other pressing public issues. The first project showed that the Institute, as a federal entity, can serve as a government-private sector bridge to focus analysis on critical issues central to the opportunities for increased international peace. The Institute has budgeted for two study groups in fiscal year 1991, preliminarily anticipated to address the Soviet nationalities problem and peace and security issues in Latin America. Without the requested funding, at least one of these study groups could not be convened.
>
> (2) The beginning steps in cooperative projects with the Soviet Union are taking place in fiscal year 1990: (a) an examination conducted jointly by prominent American historians and principal Soviet historians of the causes of the Cold War, paying special attention to possible lessons for our current and future relationships, and (b) the launching of a rule-of-law initiative with leading legal experts from the two countries, examining the significance and applicability of the American democratic and constitutional experience to the political, legal and institutional changes currently under hot debate in the Soviet Union (with a related Institute activity taking a similar approach to other Warsaw Pact countries). In the current fiscal year, both projects will conclude the first round of substantive meetings. Reduced funding would limit the Institute to continuing only one of these projects in fiscal year 1991.
>
> (3) The solicited grants competition is now being planned to cover such subjects as (a) peace and stability in the Asia-Pacific region, including Cambodia and Korea and the regional security role of Japan, and (b) militarization in the Third World and its effect on regional conflicts. To sufficiently concentrate funds so as to attract applications and make enough awards to ensure breadth of coverage, reduced funding would require a reduction to only one subject in the coming fiscal year.
>
> (4) At the proposed reduced funding level, the number of resident fellows would have to be cut by almost 20 percent, at a time when the need for their concentrated reflection, research, and public engagement on peacemaking issues has never been greater.

> (5) Two conferences growing out of current work and responding to critical strains in the world community are planned for the upcoming fiscal year, one on Third World conflicts ranging from the Horn of Africa to Latin America to Southern and Southeast Asia, and the other on conflict situations likely to arise from German reunification and from political adjustments in Eastern Europe. Reduced funding will require the elimination of one of these conferences.

In addition, a reduced budget would seriously curtail important parts of the Institute's effort to encourage and provide greater public understanding and appreciation of recent international events:

> (6) At a time of increasing demand, interest, and capacity around the United States, grants for education, training, and library and database development would be reduced in number and size.
>
> (7) The production of videos for use by secondary school teachers would be halved.
>
> (8) The publication of a significant number of Institute products, especially those produced as reports and books, would be delayed or eliminated.
>
> (9) Library acquisitions would remain static and library development curtailed.

Effects of Funding at President's Budget Level: A reduction to the level of the President's budget request would mean a combination of (a) almost complete elimination of new initiatives responding to the new era in world affairs and (b) further reduction in the Institute's core activities including no growth for the library, even fewer grants and fellowships, and further reductions in the standard, routine activities of the Institute such as public workshops, community outreach programs, and unsolicited grants.

Senator Specter: What actions has the Institute taken that may contribute to easing the tensions in the Middle East, and do you see any possible resolutions to these long standing conflicts?

Ambassador Lewis: Through the Institute's grant and fellowship programs, we are currently supporting the work of more than 25 scholars who are examining many facets of Middle East conflict issues, particularly the Arab-Israeli stalemate. Their projects cover such broad ranging topics as an analysis of lessons for policymakers to be drawn from previous international Arab-Israeli peace conferences; the viability of an independent Palestinian state in the West Bank and Gaza; the role that informal, "Track II" diplomacy can play in assisting formal diplomatic mediation; the potential for U.S.-Soviet cooperation in achieving a peaceful settlement; the nature of bargaining techniques and decision-making styles in the Arab-Israeli context; and an analysis of changing goals and negotiating approaches among Israel, the PLO, and the United States. One of our Distinguished Jennings Randolph Fellows this year, Professor Herbert Kelman of Harvard University, is conducting a continuing program of informal mediation between Palestinians and Israelis through the "problem-solving workshop" technique which he pioneered.

These are but a few examples of the way in which Institute projects are directed toward easing tensions in the Middle East and toward reinforcing the efforts of official diplomacy to achieve a peaceful settlement.

As for the prospects of success, I confess to some ambivalence. Important changes are occuring in Israel, in the occupied territories, and among leadership groups throughout the Arab world. There is a move toward some kind of negotiated accommodation; there are also contrasting tides running which may lead to prolonged violence. But if one looks a decade ahead, I believe the interaction of these trends, combined with the likelihood of a more supportive international environment and greater parallelism in U.S. and Soviet attitudes toward the Arab-Israel conflict, bodes well for achieving a peaceful settlement. It would undoubtedly have to embody the character of a confederation, involving Jordan and the West Bank and Gaza and bound by strong economic links to Israel as well. The negotiating track to achieve peace is still littered with obstacles, but the direction of the track is increasingly apparent.

Senator Specter: How does the Institute plan to help America take advantage of the peacemaking opportunities presented by these developments?

Ambassador Lewis: The Institute stays in close touch with American officials who deal with Middle East issues, makes available to them the results of the work we sponsor or undertake ourselves, and provides a bridge between scholars and others to the official establishment. As needed, we will support further studies and conferences which can augment the capabilities of the Department of State, the Congress, and other U.S. government institutions concerned with the problem of achieving Middle East peace.

Senator Specter: Why is the Institute placing such an emphasis as this time on the development of its Library Program?

Ambassador Lewis: The Institute's Library Program is designed as a technologically up-to-date international resource center with activities and impacts that reach far beyond the Institute's walls. It enables the Institute to help serve both the immediate and longer-term educational and informational needs of the executive and legislative branches of government which face tremendous decisionmaking challenges as the Cold War ends and a new, uncertain, and hopeful but dangerous era begins. The program also enables the Institute to reach scholars and practitioners focused on basic and applied questions of international conflict management as well as those persons in the general public who have direct interest in the subject area, whether they are high school and college students and their teachers or adults with an interest in international affairs.

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In building its core collection, the Institute library offers direct support for the work of its fellows and staff, students and scholars participating in Institute programs, and specialists in Congress, including the Library of Congress, and in the executive departments, agencies, and offices. The collection will concentrate on the literature and related resources of peace, international conflict resolution, security, and war, including negotiation, peacekeeping, arms control, disarmament, international law, and aspects of history, political science, economics, sociology, and science and technology.

The program has already begun to be recognized as a catalyst for other library institutions in helping them to focus their efforts to expand access to information important for informed peacemaking and peacebuilding. The Institute has prepared local guides to library resources in Atlanta and Austin as part of its outreach program, and it soon will publish Guides to Library of Congress Subject Headings and Classification on Peace and International Conflict Resolution, a volume that is expected to be useful not only in the United States but in other countries, too. In addition to such demonstration programs and aids to the library community, significant steps have been made in identifying and beginning the development of a national electronic network among special collections and databases throughout the country. Finally, as part of the effort to refine and extend knowledge on peace, conflict, and security, the Program has begun to identify and catalogue oral history tapes and collections that preserve the experience of outstanding diplomats, public officials, and other negotiators and peacemakers and to enlarge this important information base by supporting interviews of individuals whose views are not yet recorded or whose earlier interviews overlooked important recollections.

Senator Specter: In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

1) Total Salaries and Expenses

2) Amount of your appropriation that was unused and turned back to the Treasury.

3) Equipment-Expenditures

4) Fourth Quarter Expenditures (all items over $3,000)

Ambassador Lewis:

INFORMATION FOR FISCAL YEARS 1985-1990

	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990 (Est.)
(1) Salaries and Expenses[1]	0	299	2992	5430	7291	8013
(2) Lapsed Funds	0	0	0	18[2]	0	0
(3) Equipment Expenditures	0	54	32	166	24	40
(4) Fourth Quarter Obligations (Over $3,000)[3]	0	17	417	2397	2900	2400-3000

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[1] These amounts include the Institute's operating budgets consisting of appropriations, unobligated prior year funds, earned interest, and miscellaneous receipts.

[2] The fiscal year 1988 Labor-HHS-Education appropriations measure directed the Office of Management and Budget to reduce overall funds available, according to travel items. The Institute was required to lapse $18,000. P.L. 100-202, section 512.

[3] In some years obligations during the fourth quarter have been greater than obligations in earlier quarters for several reasons: (1) Continuing resolutions may limit obligations during first quarters and produce greater levels in subsequent quarters; (2) the Institute has been in a start up phase during which there has been an increasing rate of obligation as new programs develop momentum; and (3) even routine activities such as grants and fellowships are often geared to an academic year, so that obligations become effective during the summer for projects that may have received Board approval earlier in the year.

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME

STATEMENT OF JUNE E. OSBORN, M.D., CHAIRMAN

ACCOMPANIED BY MAUREEN BYRNES, EXECUTIVE DIRECTOR

BUDGET REQUEST

Senator **Specter**. Now we turn to the National Commission on Acquired Immune Deficiency Syndrome. We cannot have a more important Commission than this one. We will start by listening to the Chairman, Dr. June Osborn. Accompanying Dr. Osborn is Maureen Byrnes.

Dr. **Osborn**. Good afternoon, Mr. Chairman. I am Dr. June Osborn, dean of the School of Public Health at the University of Michigan and Chairman of the National Commission on AIDS. As their elected Chairman, it is a pleasure for me to be here on behalf of all the members of the Commission.

You have the detailed statement and are fully familiar with the formation of the Commission. I thought in the interest of time that I would try to tell you about the Commission's activity level.

The Commission was fully constituted only at the end of July and therefore chartered on August 3. I hope that telling you about what we have been doing since will give you a sense of the dedication and energy of the extraordinary members of the Commission and the staff that we have been able to take on with the excellent help of Maureen Byrnes, the Executive Director.

AUTHORIZATION

Senator **Specter**. Your budget for this year is $1 million, and your request for fiscal year 1991 is $3 million?

Dr. **Osborn**. The budget is one-half of the original authorization for this year, which has been a difficult set of circumstances——

Senator **Specter**. Does OMB figure in this item?

Dr. **Osborn**. Yes; the $3 million.

I think that one of the reasons I thought perhaps I would collapse my testimony into just telling you what we have been doing——

Senator **Specter**. It is like the old merchant. He buys for $1 and sells for $3. He makes a 2-percent profit.

Dr. **Osborn**. I think we can justify whatever we are given in terms of the kinds of things that we are trying to do.

PREPARED STATEMENT

After the initial organizational meeting in which I was chosen as Chairman and the subsequent one in August in which Maureen was appointed as the Executive Director, we had our first full hearing in September here in Washington. We have been trying to have the full hearings mostly here, since 1 of our 12 voting members is a Member of Congress, Congressman Roy Rowland, who offered the legislation which created the Commission and has been a very active and dedicated member.

In addition, as you see, we have three Cabinet secretaries ex officio.

[The statement follows:]

STATEMENT OF JUNE E. OSBORN

Good afternoon, Mr. Chairman and Members of the Committee. I am Dr. June Osborn, Dean of the School of Public Health at the University of Michigan and Chairman of the National Commission on AIDS. It is a pleasure to be here on behalf of all the members of the Commission. As you know, the National Commission on Acquired Immune Deficiency Syndrome (AIDS) was established under the Health Omnibus Programs Extension (HOPE) Act of 1988 (P.L. 100-607), which was signed by the President on November 4th of that year. However, nine months passed before all appointments to the Commission were completed. On August 2, 1989, our official charter was approved.

The fifteen members of the Commission were sworn into office on August 3, 1989 in Washington, D.C. At that first meeting, I was elected chairman and Dr. David E. Rogers, the Walsh McDermott Professor of Medicine at Cornell University Medical College, was elected vice-chairman of the Commission. Later that month, the Commission met and selected Maureen Byrnes as executive director.

The Commission is charged with the purpose of promoting the development of a national consensus on policy concerning AIDS and of studying and making recommendations for a consistent national policy concerning AIDS and the human immunodeficiency virus (or HIV) epidemic.

Over the past decade, more than 120,000 Americans have been diagnosed with AIDS and nearly 70,000 of them have died. Even the most conservative estimates suggest that these numbers will more than double in the next two years. Nearly 1,000,000 Americans face future premature illness from HIV infection and the minimum number of new infections each year is 45,000 -- the more likely number is two to five times that. Since the interval between onset of infection with HIV and onset of AIDS is commonly up to ten years, each increment assures us of certain trouble further into the twenty-first century.

The Commission has begun to fulfill its statutory mandate through public hearings, meetings, and round table discussions, as well as site visits throughout the country. These forums provide a foundation for decision-making by bringing to light the complex issues related to AIDS. The site visits allow us to see first-hand the problems faced on the front-line of the epidemic.

Thus far, the Commission has conducted three full commission hearings. The first meeting, in September, 1989, provided a general overview of the epidemic and the challenges confronting us today. Witnesses included such experts as former Surgeon General C. Everett Koop and Dr. Mathilde Krim, head of the American Foundation for AIDS Research. We also heard the compelling stories of several individuals who are living with AIDS each and every day.

In November, the Commission conducted hearings in Washington at which numerous experts in the field of health care delivery and financing presented us with the stark facts about the state of our nation's health care system. The Commission was so moved by what we heard during those two days that we sent an early report in the form of a letter to the President, copies of which were sent to Congressional leaders. Based upon the testimony we heard in November, we concluded that our current health care system is worsening each day and in serious need of reform. I have enclosed a copy of the report with my statement.

Just last month, the Commission conducted a full day of hearings and several site visits in the Los Angeles, California area. Our effort to gain a better understanding of the unique approaches to AIDS-related issues in southern California was very successful. We came to appreciate the innovative programs developed by many of those committed to caring for people living with HIV infection and AIDS in both the hospice and the hospital setting. We also recognized the urgent need for financial support from all levels of government in the battle against AIDS and we learned the importance of channeling the dollars to the community level.

The next full commission meeting is scheduled for March 15th and 16th here in Washington. The focus of these meetings will be on current executive and legislative branch initiatives related to AIDS and HIV infection, such as our National Drug Control Strategy and our efforts at comprehensive reform in long-term care.

In addition to our full Commission meetings, the Commission has established several working groups to look at specific aspects of the epidemic. The Working Group on Local, State, and Federal Responsibilities, chaired by Ramsey County Minnesota Commissioner Diane Ahrens, has been examining the roles of the local, state, and federal governments in the HIV epidemic. At its first meeting in St. Paul, Minnesota, in early January, this working group heard from individuals representing all levels of government. The need to better define the roles of government in providing health related services is of major importance. This group is examining these roles and the potential for more effective intergovernmental coordination. A report highlighting the findings of the panel will be issued in the very near future.

The Working Group on Social/Human Issues, chaired by the Rev. Scott Allen of Dallas, held its first meeting several weeks ago in Boston, Massachusetts. The meeting focused on the issue of early intervention and the psychosocial aspects of testing for HIV. The first report of this working group will be presented to the Commission in March.

As the Commission's work moves forward, it is expected that other working groups will be formed for the purpose of reporting back to the full Commission their findings and recommendations.

As you know, the Commission is required by statute to prepare and submit an interim report to the President and the Congress in August of 1990. A final report of the Commission's findings, conclusions, and recommendations will be submitted in August, 1991.

The Commission has played and will continue to play an active role in the debate over issues and policy relating to the epidemic. We have issued resolutions, including statements of support for the Americans with Disabilities Act, treatment on demand for drug users, and the funding of research programs involving the distribution of bleach for the purpose of cleaning needles. We have also been outspoken on the need to reassess current U. S. immigration and visa policy as it relates to individuals with HIV infection and AIDS, which we believe is counterproductive, discriminatory, and a waste of resources. Again, copies of all of these statements have been submitted for your review.

Increasingly, one hears that AIDS is just one disease, and we've put a lot of resources into it -- now we have to back off, to be fair to other diseases. Mr. Chairman, the only new thing about AIDS is the virus itself. Almost all of the problems we are faced with in health care, financing, and the like are old ones that have been patched together or ignored; and the effort we devote to their solution will have benefits far beyond the scope of AIDS. In particular, AIDS is increasingly becoming a chronic, treatable disease, and our urgent need to create options to provide for a continuum of care raises many of the issues that our elderly could have told us about long ago. If we meet the challenge thoughtfully, our efforts can have positive impact far beyond the immediate crisis of the HIV epidemic.

Furthermore, regarding research, the insights accruing in many areas of so-called AIDS research will have a rich harvest of progress in many other areas -- most notably cancer, progressive neurologic disorders and some of the chronic arthritides.

Finally, Mr. Chairman, AIDS is a communicable disease. The numbers are not static and indeed are escalating rapidly. AIDS has a long silent interval prior to its inexorable expression, and the fact that it is preventable means that further spread is unconscionable. In those senses, unlike other diseases, it is not yet anywhere near control -- and that is very different from other diseases.

Mr. Chairman, we must persevere. The broad outlines of the next decade's stressful times have been defined for us, and were there not another single instance of transmission of HIV, we would have overwhelming trouble ahead. Even with the progress that has slowed the advent of AIDS as a final diagnosis, enormous numbers of Americans are "in the pipeline" and will soon require our help to live out their truncated lives with productivity while possible, with access to health care as needed, and with dignity throughout.

Numerically, the HIV epidemic in the decade of the 1990's will be far worse than what we have seen so far. The National Commission on AIDS is committed to working with both the Congress and the President in meeting the serious challenges confronting us as a society and as a nation. There is little doubt that the job of advancing our nation in conquering the HIV epidemic is an enormous one -- one that requires many resources.

The President's FY '91 Budget includes $3 million for the National Commission on AIDS. The Commission wholeheartedly supports the President's request and urges the Congress to appropriate the full $3 million for FY '91.

BIOGRAPHIES

Chairman June E. Osborn, M.D. is the Dean of the School of Public Health at the University of Michigan and Professor of Pediatrics and Communicable Diseases at the University of Michigan Medical School. She also serves on numerous federal and non-federal committees, including the AIDS Research Advisory Committee of the National Institute of Mental Health; the Ad Hoc Working Group on AIDS and the Nation's Blood Supply (Chair) for the National Heart, Lung and Blood Institute; the WHO Global Commission on AIDS; and the Robert Wood Johnson Foundation National Advisory Committee for AIDS Health Services Program (Chair). Dr. Osborn has researched and published extensively in the field of virology. She earned her M.D. at Case Western Reserve University School of Medicine.

Vice Chairman David E. Rogers, M.D. has had an interesting and varied career since he completed his M.D. in 1948 at Cornell University and served an internship and residency at Johns Hopkins. Among his important appointments are those of Dean of Medicine and Vice President for Medical Affairs at Johns Hopkins University, and

Medical Director of the Johns Hopkins Hospital. Dr. Rogers was appointed as the first Walsh McDermott University Professor of Medicine at the NYH-CUMC in November 1986. For the 15 years preceding this appointment, Dr. Rogers was the President of the Robert Wood Johnson Foundation in Princeton, N.J., the largest philanthropy devoting its resources to alleviating problems in the health care of Americans. Dr. Rogers has been very involved in the problems of AIDS, holding appointments as Chairman of the Advisory Council of the AIDS Institute of New York State, as a member of the Citizens Commission on AIDS of New York and New Jersey, Chair of the Scientific Advisory Committee, NYH Partnership Advisory Committee, and Chair of the New York City Mayoral Task Force on AIDS.

As Consultant to the Christian Life Commission of the Baptist General Convention of Texas, Scott Allen has done extensive research on the spiritual, ethical, and psychological dimensions of AIDS. He also provides direct pastoral care for people with AIDS, and is often called upon to act as a liaison between PWA's and their religious community and/or family. In addition, Reverend Allen is the founder and Co-Coordinator of the AIDS Interfaith Network of Dallas, Chairperson of the Subcommittee on State Responsibility of the Special Texas Legislative Task Force on AIDS, and Board Member of AIDS ARMS, a program to meet the special human needs of PWA's. Reverend Allen earned his Masters in Divinity from the Golden Gate Theological Seminary, and served as pastor of the Pacific Baptist Church in California and a Minister of Education and Youth for the First Christian Church in Colorado Springs before joining the Christian Life Commission in 1985.

Diane Ahrens is presently serving her fourth term as Commissioner of Ramsey County Minnesota. In 1987, she convened the Tri-County Task Force on AIDS to develop an AIDS Implementation Plan, which was passed unanimously by the Ramsey County Board in the Fall of 1988. In addition, as Chair of the National Association of Counties' Task Force on HIV and AIDS, Commissioner Ahrens has overseen the formulation of recommendations regarding the appropriate responsibilities of the county, state, and the federal governments in our nation's response to the AIDS epidemic. She earned her Masters Degree in Theology and Religious Education at Yale University.

Harlon Dalton is a Professor at Yale Law School and a leading authority on legal issues generated by the AIDS epidemic. His publications include, AIDS and the Law: A Guide for the Public, "AIDS: A Drama in Blackface" in Daedalus and "Thinking AIDS, Rethinking Law: An Ongoing Lesson in the Regulation of Human Behavior". Mr. Dalton serves on the Board of Directors of AIDS Project New Haven, the Advisory Board of the Connecticut Consortium of AIDS, and the Editorial Board of the AIDS Alert. He earned his J.D. from Yale Law School, and is a member of the Bar of New York, Connecticut, the Supreme Court of the United States, the United States District Court, and the United States Court of Appeals, Second Circuit.

Don C. Des Jarlais is currently the Director of Research for the Chemical Dependency Institute of Beth Israel Medical Center and Deputy Director for AIDS Research with Narcotic and Drug Research, Inc. He is an international leader in the fields of AIDS and intravenous drug use and during the last six years, Dr. Des Jarlais has published over 50 articles on the topics. He was the plenary speaker on intravenous drug use and AIDS at the 3rd and 4th International Conferences on AIDS and serves as consultant to various institutions, including the Centers for Disease Control, the National Institute on Drug Abuse, the National Academy of Sciences and the World Health Organization. He is a Guest Investigator at Rockefeller University and a Visiting Professor of Psychology with Columbia University. Dr. Des Jarlais earned his Doctorate of Philosophy in Social Psychology from the University of Michigan.

Eunice Diaz, M.S., M.P.H. is currently an Assistant Clinical Professor of Family Medicine at the University of Southern California School of Medicine. She is a nationally acclaimed authority and speaker on the subject of AIDS in the Hispanic community, and a former board member of AIDS Project Los Angeles. In addition, Ms. Diaz has served on numerous AIDS-related committees and panels, including the Los Angeles County Commission on AIDS, the Planning Committee for the Surgeon General's Conference on Pediatric AIDS, and most recently, the Task Force on AIDS of the Society for Hospital Marketing and Public Relations, American Hospital Association. Ms. Diaz earned a Master of Science in Public Health and a Master of Public Health at the Loma Linda University.

Donald S. Goldman is an attorney in private practice as a partner in the West Orange, New Jersey law firm of Harkavy, Goldman, Goldman & Caprio. Active in The National Hemophilia Foundation and its chapters for over 25 years, he served as its Chairman from 1983 to 1984 and its President from 1984 to 1986. Mr. Goldman coordinated the National Hemophilia Foundation's efforts to improve the safety of our nation's blood supply, started many of its efforts in HIV risk reduction and introduced initiatives to improve hemophilia and HIV service delivery to minorities. Currently he is also Vice-President of the National Health Council, Inc. Mr. Goldman earned his J.D. from Rutgers University, and has published and lectured widely on legal aspects of hemophilia, HIV infection, and other medical and ethical issues. He is a member of the Bar of New Jersey, the United States Court of Appeals for the Third Circuit, and the United States Supreme Court.

Larry Kessler is the Co-Founder and Executive Director of AIDS Action Committee in Boston, a community-based service organization staffed by 75 full-time employees and over 1,500 volunteers. In addition, he serves on the Massachusetts Governor's Task Force on AIDS and the Boston Mayor's Task Force on AIDS, under appointments by Governor Dukakis and Mayor Flynn, respectively. Kessler is also a longtime Catholic activist and a member of the Board of Directors of both the National Catholic AIDS Ministry in New York and the AIDS Action Council in Washington, D.C.. In 1987, Simmons College in Boston awarded him an Honorary Degree of Doctor of Human Services.

Charles Konigsberg, M.D., M.P.H. has been Director of the Division of Health of the Kansas Department of Health and the Environment since October of 1988. Previously, he was the District Health Program Supervisor and Broward County Public Health Unit Director for the Department of Health and Rehabilitative Services in Fort Lauderdale. In Florida, Dr. Konigsberg represented the county health official perspective on the Governor's AIDS Advisory Task Force. Dr. Konigsberg has also served as a consultant to the Centers for Disease Control and the U.S. Public Health Service in the development of HIV prevention and control strategies. He earned his M.D. from the University of Tennessee Center for the Health Sciences and his Master of Public Health in Community Health Administration from the University of North Carolina School of Public Health.

Belinda Mason is a 31 year old mother of two children, who acquired AIDS through a blood transfusion. She was diagnosed with AIDS in January, 1987 and lived with the disease in an isolated, rural area, with no contact with other people with AIDS. In August 1988, she founded the first organization in Kentucky and Indiana for people with HIV disease. She has traveled around the country speaking about the human side of the AIDS epidemic and providing education and perspective to groups of all sizes and interests from college students, to health care professionals and national policy makers. Mrs. Mason is now the president of the National Association of People with AIDS.

J. Roy Rowland, M.D. is now serving his fourth term in the United States House of Representatives (Democrat, Georgia's Eighth Congressional District). As the only physician in Congress from 1985 to 1988, Congressman Rowland has provided leadership and insight on a number of health issues, such as infant mortality, rural health, the veterans' health system, and AIDS. His efforts on behalf of the AIDS community include sponsoring the legislation which authorized creation of the National Commission on AIDS and introducing a bill mandating study of AIDS among college students -- an idea which was adopted administratively by the Centers for Disease Control. Congressman Rowland earned his M.D. from the Medical College of Georgia, and maintained a family practice in middle Georgia for three decades before pursuing a political career.

Cabinet Secretaries

Louis W. Sullivan, M.D. was sworn in as Secretary of Health and Human Services March 10, 1989. As head of the Department of Health and Human Services, Dr. Sullivan oversees the federal agency responsible for the major health, welfare, food and drug safety, medical research and income security programs serving the American people. Dr. Sullivan came to HHS from the Morehouse School of Medicine in Atlanta, Georgia. In July 1975, Dr. Sullivan had become founding dean and director of the medical education program at Morehouse College. Since July 1, 1981 when the School of Medicine became independent from Morehouse College, he had served as its first dean and president. In April 1985, the Morehouse School of Medicine was fully accredited and on May 17, 1985, the school awarded the M.D. degree to its first 16 graduates.

Edward J. Derwinski, President Bush's choice to become the first Secretary of the newly created Cabinet-level Department of Veterans Affairs, was confirmed by the Senate on March 2, 1989 and sworn in on March 15, 1989. Secretary Derwinski directs the activities of the federal government's second largest department, responsible for a nationwide system of health-care services and benefits programs for America's 27.3 million veterans. A member of the U.S. House of Representatives from 1959 to 1983, representing Illinois' Fourth Congressional District, he was senior minority member of the House Foreign Affairs Committee and the House Post Office and Civil Service Committee. He played a major role in the passage of landmark Civil Service Reform, Postal Service Reorganization, and Foreign Service Reform legislation.

Richard B. Cheney was nominated by President Bush to be Secretary of Defense on March 10, 1989, was confirmed by the United States Senate on March 17, 1989, and took the oath of office on March 21, 1989. In August 1974, when Gerald R. Ford assumed the Presidency, Mr. Cheney served on the Ford transition team and, and beginning in September 1974, as a Deputy Assistant to the President. In November 1975, be was named Assistant to the

President and White House Chief of Staff, a position he held through the remainder of the Ford Administration, until January 1977. He returned to his home state of Wyoming in May 1977 to resume private life. Mr. Cheney was elected to Congress in November 1978. He was re-elected in 1980, 1982, 1984, 1986, and 1988.

STATEMENT OF SUPPORT FOR AMERICANS WITH DISABILITIES ACT

We, the Members of the National Commission on Acquired Immune Deficiency Syndrome (AIDS) strongly support passage of the Americans with Disabilities Act, legislation which would implement the key recommendation of the Presidential Commission on the Human Immunodeficiency Virus Epidemic.

People living with AIDS and HIV infection, and those regarded as such, deserve the same discrimination protections as all people with disabilities. Such protections from discrimination are not only necessary to enhance the quality of life for people with AIDS and HIV infection, they are -- as the Presidential Report and the Institute of Medicine have reported -- the linchpin of our nation's efforts to control the HIV epidemic.

Thousands of Americans who should seek voluntary counseling and testing services and many who need life-prolonging medical treatment will not come forward if they believe that doing so could result in the loss of their job or lack of access to public accommodations. Legislation that is based not only on compassion but sound public health principles is a must if we are to reach and assist these individuals.

We are extremely pleased that the majority of the United States Senate and the White House have made a bipartisan commitment to enact the Americans with Disabilities Act. We oppose any efforts to reduce the scope of coverage of the present bill, particularly with respect to HIV, the specific focus of this commission. The ADA will provide a clear and comprehensive mandate to greatly extend discrimination protections for people with disabilities. We are proud to endorse this landmark legislation.

STATEMENT ON THE FY '90 APPROPRIATIONS

We, the Members of the National Commission on Acquired Immune Deficiency Syndrome (AIDS), strongly support the increase in AIDS funding endorsed by both Houses of Congress and the Administration. While we believe that much work remains to secure adequate funding for the national battle against AIDS, we also recognize the fiscal challenges facing the Congress.

We are particularly pleased that the Senate Committee on Appropriations has increased the total AIDS budget to accommodate humane and cost-effective programs designed to meet the burgeoning care needs resulting from the HIV epidemic. The Congress made clear the priority it places on the health care needs of people with AIDS and HIV in the AIDS legislation that was unanimously approved last fall. Being able to provide access to lifesaving medical treatment to those who face poverty and death is not only a compassionate response to the crisis but a sound public health strategy for bringing the epidemic under control. The most compelling incentive for individuals to step forward for HIV counseling and testing is the availability of effective treatment and appropriate medical care.

The Commission is most invigorated by the task of advising both the Administration and the Congress. It is a responsibility that we accept with great determination. Given the gravity of the HIV epidemic, we are fortunate to have an abundance of sound data on which to base our public health policy decisions. With this in mind, we urge the Congress to be deliberative in its policy-making processes and to resist fragmented approaches to public policy via amendments to the FY '90 Appropriations bill.

The National Commission on AIDS stands ready to review and comment on proposals under consideration by the Congress for addressing the challenges presented by the HIV epidemic.

STATEMENT OF SUPPORT FOR TREATMENT ON DEMAND FOR DRUG USERS

The new National Commission on AIDS strongly endorses the position taken by the Presidential Commission on the HIV Epidemic in its report of June, 1988 recommending the goal of treatment on demand for all drug users who request it.

The Presidential Commission's position is articulated in the following statement found on page 95 of the report:

"The Commission believes it is imperative to curb drug abuse, especially intravenous drug abuse, by means of treatment in order to slow the HIV epidemic. Because a clear federal, state, and local government policy is needed, the Commission recommends a national policy of providing treatment on demand for intravenous drug abusers."

NATIONAL COMMISSION ON AIDS TAKES POSITION ON BLEACH AND HIV CONTROL RESEARCH

The National Commission on AIDS today released a statement in support of research projects designed to determine the effectiveness of bleach distribution to intravenous drug users as a means to control the spread of the human immunodeficiency virus (HIV), which causes AIDS. The statement says:

"The National Commission on AIDS strongly supports the continuation of research and demonstration projects involving the distribution of bleach to reduce the spread of HIV among intravenous drug users until the efficacy of this approach can be determined. This determination should be made by the Assistant Secretary for Health or the Secretary of Health and Human Services."

Dr. June Osborn, Chairman of the Commission, said today that it is important to public health to know whether any of the various methods of distributing bleach to IV drug users can reduce the spread of HIV.

Dr. David Rogers, Vice Chairman of the Commission, said, "In the United States the conquest of AIDS will be determined by how effectively we can contain the spread of HIV among drug users."

Several experiments are underway in the United States to distribute common household bleach to IV drug users in the hope that it would be used to sterilize shared syringes and hypodermic needles.

Currently there is an increase in the rate of new cases of HIV disease among IV drug users. IV drug users also account for many heterosexually transmitted cases of AIDS. Most infants who contract HIV disease are infected by their mothers who are either IV drug users or the sexual partners of IV drug users.

Congress may deal with the bleach issue during reconsideration of the upcoming FY '90 appropriation bill for the Department of Health and Human Services.

The National Commission on AIDS is an independent body created by Congress to oversee the national efforts against the AIDS epidemic and to make "recommendations for a consistent national policy concerning AIDS."

Five members were appointed by the Senate, five by the House and two by the White House. In addition the Secretary of Defense, the Secretary of Health and Human Services, and the Secretary of Veterans Affairs are non-voting members.

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME

December 5, 1989

President George Bush
The White House
Washington, DC 20500

Dear President Bush:

The official charter for the National Commission on Acquired Immune Deficiency Syndrome (AIDS) was signed on August 2, 1989. Since that time the National Commission has convened a series of hearings to solicit information and recommendations from experts in the field of medicine and public health policy to assist the Commission in meeting its statutory mandate of "promoting the development of a national consensus on policy concerning acquired immune deficiency syndrome."

The testimony we recently heard on health care and financing was so compelling we felt it is vital to write to you now, rather than wait until our statutorily required annual report next August. In fact, the Commission will continue to bring these urgent matters to your attention and to the attention of Congress as we hear from the experts about the Human Immunodeficiency Virus (HIV) epidemic and what is needed to respond to it.

The following represents the first of such reports which we hope will prompt appropriate action.

Report Number One

OVERVIEW

> "We don't have time to sit around and have this Commission live out its life and issue another report and have another report, another Commission.... We have to act and we have to act swiftly."

This testimony was presented before the National Commission on Acquired Immune Deficiency Syndrome at a hearing held in Washington, D.C., November 2nd and 3rd of this year. The Commission convened a meeting of experts to examine the global, national and local challenges confronting the United States in the HIV epidemic. The message from the experts was clear and alarming:

- There is a dangerous, perhaps even growing, complacency in our country toward an epidemic that many people want to believe is over.
- Far from over, the epidemic is reaching crisis proportions among the young, the poor, women and many minority communities. In fact, the 1990's will be much worse than the 1980's.
- The link between drug use and HIV infection must be acknowledged and addressed in any national drug strategy.
- There is no national plan for helping an already faltering health care system deal with the impact of the HIV epidemic.

Over the coming months, the Commission intends to bring the message of experts who have studied the problems and proposed the solutions to those who have the power to act. The Commission believes it is time to match rhetoric with action.

This letter is intended to outline the first of these messages from experts in the field of health care and financing: the public health care system in this country is not working well and nowhere is that more evident than for people with HIV infection and AIDS. While AIDS is not the cause of the health care system's disarray, it may well be the crisis that could pressure responsible national action to correct its serious shortfalls.

SCOPE OF THE PROBLEM

To date, AIDS has claimed more American lives than the Vietnam War. Over the course of the next four years in this country, AIDS will likely claim an additional 200,000 lives. It is estimated that by 1991 AIDS will be among the top ten leading causes of death in the United States. Nearly one-half of all AIDS cases reported to the Centers for Disease Control (CDC) through May 1989 were diagnosed in people 30 to 39 years old. By 1991, ten years after the first AIDS cases were reported, AIDS will far exceed all other causes of death for people between the ages of 25 and 44 years. In testimony before the Commission, it was stated that nine times more adults around the world may develop AIDS during the 1990's than have developed AIDS during the 1980's.

The proportion of AIDS cases with intravenous drug use as a risk behavior has risen from 25 percent prior to 1985, to 30 percent in 1988. In New York City, alone, an estimated 100,000 intravenous drug users are HIV-infected.

The HIV epidemic is not just a New York City or a San Francisco problem as some would like to believe. While it is true that before 1985, 44 percent of all cases of AIDS were diagnosed in the New York City or San Francisco areas, by 1988 this proportion had fallen to 25 percent. By 1991, it is expected that 80 percent of new AIDS cases will come from outside New York City and San Francisco.

In increasing numbers, these new cases will be women and children. As one prominent pediatrician from New Jersey told the Commission, "As a society, we claim to protect and cherish our children, but in fact, we have placed women and children squarely in front of an onrushing HIV epidemic."

The cumulative incidence of AIDS cases is disproportionately higher in Blacks and Hispanics than in whites. Fully 25 percent of all persons with AIDS in the United States are African-American and the number is growing. In fact, there has been, as one witness told the Commission, "a disproportionate impact of HIV on disenfranchised populations, gays, the poor, racial minorities, women, adolescents and drug users--populations having already less than optimal access to quality health care.... The development of a national care and treatment strategy will require a rethinking of our past effort."

ACCESS TO CARE

Recent years have seen considerable advances in the development of new HIV-related drugs, including the prospect of treating HIV infection before symptoms develop. But scientific breakthroughs mean little unless the health care system can incorporate them and make them accessible to people in need.

The belief that Medicaid will pay for the health care needs of the growing number of low income people with HIV infection and AIDS is, as one expert witness told the Commission, a "Medicaid fantasy." According to a 1987 U.S. Hospital AIDS Survey, almost one quarter of all AIDS patients have no form of insurance, private or public. Less than 20 percent of the persons with AIDS treated in southern hospitals were covered by Medicaid, compared with 55 percent in the Northeast and 44 percent nationwide.

For the medically disenfranchised, there is no access to a system of care. For those who have no doctor, no clinic, no means of payment, access to health care services is most often through the emergency room door of one of the few hospitals in the community that treats people with HIV infection and AIDS. Five percent of the nation's hospitals treat fifty percent of the people with AIDS.

For those who are covered by Medicaid, access to care is better than for those who have no insurance at all. However, the obstacles to care under Medicaid funding can be insurmountable for many. One obstacle is the wide variation among states in Medicaid eligibility and scope of benefits. The Food and Drug Administration (FDA), under considerable public pressure, has struggled with mechanisms to speed new drugs to the market. Yet there is no requirement that Medicaid make even life-prolonging drugs such as zidovudine (AZT) available.

Another obstacle to needed care for persons with HIV infection and AIDS who qualify for Medicaid is the low reimbursement rates. Stunning examples of Medicaid physician compensation rates far below those by private insurance or Medicare were illustrated during the Commission hearing. For example, a new patient intermediate office visit in New York City is compensated by Blue Cross at $78, by Medicare at $80, and by Medicaid at $7. One witness indicated that physicians in New York with large AIDS practices were reluctant to refer Medicaid patients for specialty consultations because of low levels of reimbursement--levels so low that several physicians said the few dollars at stake per office visit were not worth the time and paperwork to bill the Medicaid program.

In summary, a series of problems have resulted in a health care system singularly unresponsive to the needs of HIV infected people: the initial appearance of HIV infection and AIDS in groups often shunned by the larger society - gay men, the poor, minorities, and intravenous drug users encouraged a slow response, a gross lack of training support for primary care physicians to treat people with HIV infection and AIDS, and serious disincentives for physicians to take Medicaid patients and perhaps poor people in general.

WHAT IS NEEDED?

FIRST, frank recognition that a crisis situation exists in many cities that will require extraordinary measures to overcome. Significant changes must be made not only in our health care system but in how we think about the system and the people it is designed to serve. As one witness told the Commission, it can no longer be "business as usual."

SECOND, the creation of a flexible, patient-oriented, comprehensive system of care, closely linking hospital, ambulatory, residential, and home care. Primary care physicians must be central to such a system. But if primary care doctors are to care for patients with HIV infection and AIDS, they need the financial, social and institutional support to assist them in managing complicated patients.

THIRD, consideration of the creation of regional centers or networks of care, perhaps using the already existing regionalized hemophilia treatment program as a model. These centers would not serve as a replacement for the care provided by primary care physicians but would provide backup and consultation to help strengthen community based primary care.

It is essential that everyone be afforded early intervention and access to care. In addition, the availability of backup and consultation from appropriate specialists is required to provide the assistance and encouragement primary care doctors need to see more people with HIV infection and AIDS. Regional centers should also provide the appropriate link with the hospital when hospital services are needed.

FOURTH, create units which can treat patients who have both HIV infection and drug addiction. The availability of drug treatment on request is essential for responding to the combined HIV and drug epidemic that imperils not only drug users but also their sexual partners and children.

Given the massive link between drug use and HIV infection, and the fact that there is an alarming increase in the number of new infections among intravenous drug users, the Commission wishes to go on record in expressing its surprise and disappointment that the White House National Drug Control Strategy mentions AIDS only four times in its ninety pages of text and not at all in its recommendations or discussions of how to allocate resources. The President's drug strategy simply must acknowledge and include HIV infection and AIDS.

FIFTH, provide comprehensive health care services under one roof. Fragmented services create additional barriers to needed health care. Often mothers will seek health care services needed for their babies but are not able to then gain access to care for themselves. Health care services for women and children need to be provided in one place. For the homeless, housing and health care need to go hand-in-hand. This is true not only for those who are homeless today but for those who will become homeless tomorrow because of the HIV epidemic.

WHAT WILL IT COST?

Estimates of the national costs of direct medical care for persons with AIDS in 1991 range from $2.5 to 15.1 billion (in 1988 dollars). These estimates represent a small fraction of the total health care costs for the nation - from less than one to slightly more than three percent. We simply must be prepared to make these expenditures.

WHO IS RESPONSIBLE FOR ACTION?

In carrying out its mandate, the National Commission on AIDS will attempt to delineate clearly the roles and responsibilities of various levels of government and the private sector in responding to and managing the HIV epidemic.

To date, there is no national policy or plan, and no national voice. Currently, as one witness testified, without the definition of roles each level of government points a finger at another and says it is their job. Clearly, managing the HIV epidemic is a responsibility which must be shared by all.

Without federal leadership the states have assumed various degrees of responsibility for planning, coordination and the provision of care. Likewise some local governments have played key roles in determining how patient services could be provided and in demonstrating important models for service delivery.

The role of the private sector voluntary and professional AIDS service organizations has been all important in managing the

HIV epidemic to date. Foundations and corporations have also been important and their roles need better recognition and definition.

"We must," the Commission was told, "move swiftly to bring the missing players to the table...this includes a greater presence of our federal, state and local governments in terms of leadership, financing and service delivery. It includes the support and cooperation of the insurance industry, employers, physicians and other medical providers, and last but profit-wise not least, the pharmaceutical industry as well."

Responding to the challenge to bring the "missing players to the table," the National Commission on AIDS intends to do just that in hearings, working groups and other forums that can swiftly translate the facts into action and hold us all accountable for the national strategy that is long overdue. The time has come to define exactly what needs to be done, and measure how far we have come, and how much farther we still have to go.

On behalf of all of the members of the National Commission on AIDS, we look forward to being able to continue to bring important information to your attention.

Sincerely,

David E. Rogers

David E. Rogers, M.D.
Vice Chairman

June E. Osborn

June E. Osborn, M.D.
Chairman

RESOLUTION ON U.S. VISA AND IMMIGRATION POLICY

December 1989

WHEREAS, policies which govern the medical examination and exclusion of aliens from the United States based upon communicable disease should be determined by sound public health policies alone; and

WHEREAS, these policies need a comprehensive and thorough review based only on public health needs, because other considerations, particularly myth, prejudice and social stigmatization, have been historically but inappropriately considered; and

WHEREAS, the United States Public Health Service has stated that there is no evidence that the Human Immunodeficiency Virus (HIV) is spread through casual social contact; and

WHEREAS, the World Health Organization (WHO) has concluded that screening of international travelers cannot prevent the introduction or spread of HIV infection; and

WHEREAS, in its June 1988 report, the Presidential Commission on the HIV Epidemic concurred with the WHO that "the screening of international travelers for HIV infection would require an unjustified, immense diversion of resources from other critical programs of education, protection of the blood supply, and care"; and

WHEREAS, current practices, particularly as they relate to HIV infection, are counterproductive, discriminatory and represent a waste of resources which could be better used in other ways; and

WHEREAS, these practices, in particular, threaten the attendance of participants from all over the world at the Sixth International Conference on AIDS scheduled for San Francisco and the XIX International Congress of the World Federation of Hemophilia scheduled for Washington, D.C.; and

WHEREAS, the promise of global cooperation on important issues of public health is being jeopardized by current U.S. immigration policy; and

WHEREAS, the Department of Justice has extraordinary power and authority to grant waivers or to take such other action as may be in the best interests of the United States particularly where modification of such practices would cause no danger to the public health and no increased risk of disease spread;

BE IT RESOLVED, that the National Commission on Acquired Immune Deficiency Syndrome recommends and calls upon the Administration to immediately implement the following:

1. The Department of State, the Department of Justice and the Department of Health and Human Services should conduct a comprehensive review of immigration policies as they regard communicable disease, particularly HIV infection, focusing on public health needs.

2. Nonimmigrants, such as conference participants, should not be questioned regarding their HIV status as a condition for entry into the United States or for issuance of a visa. Similarly, persons carrying medications or products associated with HIV infection or hemophilia should not be subject to detention or questioning.

3. The following practices should also be implemented pending the comprehensive overall review of immigration policies recommended above:

A. For applicants who otherwise qualify for legalization asylum, or refugee status and who may be infected with HIV, standards for waivers should be liberally applied and they should be routinely granted particularly where family unity, humanitarian and or public interest grounds may exist.

B. For applicants who otherwise qualify for permanent residency and who may be infected with HIV, similar waiver procedures should be adopted to the extent permitted by law.

C. The Department of State, the Department of Health and Human Services and the Immigration and Naturalization Service should engage in cooperative efforts to institute policies and disseminate information targeted at notifying relevant alien groups of the availability of waivers and the circumstances under which they are granted.

D. To the extent that HIV testing is part of any medical examination of applicants for permanent residency, refugee status or legalization, the Immigration and Naturalization Service and the Centers for Disease Control should carefully monitor training and compliance with their Instructions to Designated Physicians. Particular attention should be paid to pre and post-test counselling, confidentiality and appropriate referrals of persons for medical care and follow-up counselling.

E. Confidentiality should be protected where HIV testing is part of the medical examination of applicants for visas, permanent residency, asylum, refugee status or legalization. Permanent markings in passports (including the use of codes which may become known) which in any way suggest that a person is infected with HIV or any other designated communicable disease should be prohibited. Where medical examinations take place, steps should be taken to safeguard all medical information (including HIV status), particularly from staff recruited locally in foreign countries.

BIOGRAPHY OF JUNE E. OSBORN

Born:		May 28, 1937 Endicott, New York
Address:		1401 Culver Road Ann Arbor, Michigan 48103 Home Phone: (313) 662-5732 Work Phone: (313) 763-5454
Children:		Philip Levy, 1968; Ellen and Laura Levy (twins), 1969
Social Security #:		395-34-1964
Current Position:		Dean, School of Public Health, The University of Michigan Professor of Epidemiology, School of Public Health Professor of Pediatrics and Communicable Diseases, Medical School, The University of Michigan, Ann Arbor
Education:	1957	A.B. Oberlin College, Oberlin, Ohio
	1961	M.D. (Case Western Reserve University School of Medicine, Cleveland, Ohio
Internship:	1961-62	Pediatric Pathology, Children's Hospital Medical Center, Boston, Massachusetts
Residencies:	1962-63	Junior Assistant Resident, Pediatrics, Massachusetts General Hospital, Boston, Massachusetts
	1963-64	Assistant Resident, Pediatrics, Children's Hospital Medical Center, Boston, Massachusetts
Fellowships:	1964-65	Research Fellow in Pediatrics, The Johns Hopkins Hospital, Baltimore, Maryland (with D.N. Medearis, Jr.)
	1965-66	Research Fellow in Pediatrics, University of Pittsburgh School of Medicine, Pittsburgh, Pennsylvania (with D.N. Medearis, Jr.)
Medical Licenses:		Ohio, Wisconsin, Michigan
Faculty Appointments:		
- University of Wisconsin-Madison	1966-84	Faculty appointments, to Professor, Departments of Medical Microbiology and Pediatrics, University of Wisconsin Medical School
- University of Michigan	1984-	Professor of Epidemiology, School of Public Health
	1984-	Professor of Pediatrics and Communicable Diseases, Medical School
Administrative Appointments:	1975-84	Associate Dean of the Graduate School for Biological Sciences, University of Wisconsin, Madison, Wisconsin
	1984-	Dean of the School of Public Health, The University of Michigan, Ann Arbor, Michigan
Diplomate:	1967	American Board of Pediatrics
Honors:	1953-57	Ford Foundation Early Admissions Scholar, Oberlin College
	1957	Phi Beta Kappa, Oberlin College
	1972	Outstanding Teacher in Preclinical Sciences, University of Wisconsin Medical School
	1978	Who's Who in America
	1978	Selection by Change Magazine (American Council on Education) as "one of 100 top leaders in the American Academy"
	1986	Member, Institute of Medicine, National Academy of Sciences
	1987	Summary speaker, Third International Conference on AIDS, Washingtonn, D.C.
	1987	Distinguished Lecturer, Washington University, St. Louis

1988 McCormick Lecturer, Stanford University
1988 McInally Lecturer, University of Michigan School of Business Administration
1989 Presidential Inaugural Lecturer, Medical College of Georgia
1989 Honorary Doctor of Science, University of Medicine and Dentistry of New Jersey, May 1989

Memberships:

American Society for Microbiology
American Academy of Pediatrics
Infectious Diseases Society of America
American Association of Immunologists
American Academy of Microbiology
American Society for Virology
American Public Health Association

Research Support:

Wolbach Fund Grant for research on influenza in pregnant mice (John F. Enders' laboratory, Children's Hospital Medical Center, Boston, Massachusetts), 1961-62.
Host alterations during cytomegalovirus infections. NIAID, NIH, 1969-71; renewed 1972-74. Principal Investigator.
Virology and immunology of multiple sclerosis. National Multiple Sclerosis Society, 1971-73. Principal Investigator.
Slow virus infections of the central nervous system. NIAID, NIH, 1969-73 (one of eight investigators; D. L. Walker, Principal Investigator).
Biochemical studies of human papovavirus JC. NCI, NIH, 1974-77, Principal Investigator (Bernard Weisblum, co-investigator).
Virulence and attenuation of cytomegaloviruses. NIAID, NIH 1975-79. Principal Investigator.
Postdoctoral training program in viral oncology, NCI, NIH, 1975-80; renewed 1981-85. (One of several trainers; Howard M. Temin, Director).
Contract to assess health education opportunities for the AIDS epidemic. Robert Wood Johnson Foundation, 1987. Principal Investigator.

Current Federal Advisory Assignments:

Member, Orphan Products Initial Review Group for FDA, 1984-89.

Consultant to Vaccines and Related Biologics Advisory Committee, Center for Drugs and Biologics, FDA, 1985- .

Member, Policy and Protocol Review Board, NHLBI Prospective Study of the Immunologic Effects of Multiple Blood Transfusions, 1984-89.

Member, Review Group for Prevention Centers Program, Centers for Disease Control, 1986- ; Chairman, 1988- .

Member, AIDS Research Advisory Committee, National Institute of Mental Health, 1987-88.

Member, AIDS Vaccine Selection Advisory Committee, NIAID, 1989.

Current Non-federal Assignments:

Consultant to the Ministry of Health on AIDS and Public Health, United Arab Emirates, 1985- .

Member, National Advisory Committee for the AIDS Health Services Program, The Robert Wood Johnson Foundation, 1986-88; Chairman, 1988- .

Member, National Advisory Committee on the Health of the Public Program, Pew Charitable Trusts and Rockefeller Foundation, 1986- .

Member, Board on Health Promotion and Disease Prevention, Institute of Medicine, 1987- .

Member, Advisory Committee for Case Western Reserve University Medical School, 1987- .

Member, Visiting Committee, Washington University-St. Louis, School of Medicine, 1987- .

Member, Visiting Committee, Harvard School of Public Health, 1988- .

Member of Keystone Foundation Working Group on AIDS Vaccine Liability, 1988-89.

Member, AIDS Advisory Group, American Public Health Association, 1988- .

Member, Consultant group to Pew Family Trusts Future of the Health Professions Program, 1989- .

Member, Global Commission on AIDS, World Health Organization, 1988- .

Chair, National Commission on AIDS, 1989- .

Other Professional Experience:

Member, Medical Affairs Advisory Committee, Yale University 1981-86. Member, External Review Committee, Yale School of Public Health, 1988.

Member, Institute of Medicine Task Force on AIDS, 1986.

Member, Special NIH Study Section on Retrovirus Vaccines, March 1986.

Member, School of Public Health Review Committee, The University of Texas, 1986.

Member, Ad Hoc Committee to Review NIH AIDS Research Programs, 1986.

Consultant, Los Angeles County Department of Public Health (on AIDS Program), November 1986.

Member, Health Subcommittee, Research Advisory Committee to Agency for International Development, U.S. State Department, 1986-87.

Consultant, Department of Defense Third Annual Conference on Human Resources, Baltimore, MD, May 1987.

Member, Ford Foundation Advisory Committee Concerning AIDS, 1987.

Chairman, Special NIH Study Section on HIV Inactivation, March 1988.

Chairman, Ad Hoc Working Group on AIDS and the Nation's Blood Supply, NHLBI, NIH, 1984- .

Chairman, NIH Workshop on Research on Sexual Behavior and AIDS Prevention, Bethesda, May 1989.

Review Functions:

Manuscript reviewer for:

Journal of Infectious Diseases
Science
Journal of Immunology
Journal of Virology
Infection and Immunity
Neurology
Health Education Quarterly
New England Journal of Medicine

Grant reviewer for:

National Science Foundation
National Institutes of Health
American Social Health Associati
Food and Drug Administration
Veterans' Administration
Canadian Research Council

- Other Appointments:

Public member of the Corporate Board, Greater Detroit Area Health Council, 1985- .

Member of the Board of the National Sanitation Foundation (Ann Arbor), 1985- .

Public Health Advisory Council for the State of Michigan (appointed by Governor Blanchard), 1985- .

Member, Governor's Expert Advisory Committee on AIDS, 1986.

Chairman, Southeast Michigan Task Force on AIDS, 1985-86.

Chairman, World Health Organization Technical Working Group on Blood, 1985-86.

National Academy of Sciences/Institute of Medicine Committee to Assess National Strategies for AIDS Research and Health Care, 1986
  Member, Steering Committee
  Member, Health Care and Public Health Panel

Rapporteur, WHO Consultation on Screening of International Travelers for HIV, Geneva, Switzerland, March 1987.

Rapporteur, WHO Consultation on HIV Screening Programmes, Geneva, Switzerland, May 1987.

Consultant, WHO Consultation on the Neuropsychiatric Aspects of HIV Infection, Geneva, Switzerland, March 1988.

Consultant, WHO Consultation on Public Health Aspects of Chemoprophylaxis and HIV, Boston, August 1989.

Consultant, WHO Consultation on Partner Notification, Geneva, Switzerland, January 1989.

Research Publications:

1. Osborn, J. E. The role of influenza-A virus in the etiology of congenital malformations. Thesis submitted in partial fulfillment of the requirements for the degree of Doctor of Medicine. (Case) Western Reserve University School of Medicine, 1961.

2. Osborn, J. E. and D. N. Medearis, Jr. Studies of the relationship between mouse cytomegalovirus and interferon. Proc. Soc. Exp. Biol. Med. 121:819, 1966.

3. Ruebner, B. H., T. Hirano, J. H. Slusser, J. E. Osborn and D. N. Medearis, Jr. Cytomegalovirus infection: viral ultrastructure with particular reference to the relationship of lyosomes to cytoplasmic inclusions. Amer. J. Pathol. 48: 971, 1966.

4. Osborn, J. E. and D. N. Medearis, Jr. Suppression of interferon and antibody and multiplication of Newcastle disease virus in cytomegalovirus-infected mice. Proc. Soc. Exp. Biol. Med. 124: 347, 1967.

5. Zinkham, W. H., D. N. Medearis, Jr. and J. E. Osborn. Blood and bone marrow findings in congenital rubella. J. Pediatrics 71: 512, 1967.

6. Osborn, J. E., A. A. Blazkovec and D. L. Walker. Immunosuppression during acute murine cytomegalovirus infection. J. Immunology 100: 835, 1968.

7. Speel, L. F., J. E. Osborn and D. L. Walker. An immunocytopathogenic interaction between sensitized leukocytes and epithelial cells carrying persistent noncytocidal myxovirus infection. J. Immunology 101: 409, 1968.

8. Osborn, J. E. and D. L. Walker. Enhancement of infectivity of murine cytomegalovirus in vitro by centrifugal inoculation. J. Virology 2: 853, 1968.

9. Osborn, J. E. and D. L. Walker. The role of individual spleen cells in the interferon response of the intact mouse. Proc. Nat. Acad. Sci. U.S.A. 62: 1038, 1969.

10. Osborn, J. E. and D. L. Walker. Virulence and attenuation of murine cytomegalovirus. Infection and Immunity 3: 228, 1971.

11. Osborn, J. E. and N. T. Shahidi. Thrombocytopenia in murine cytomegalovirus infection. J. Lab. Clin. Med. 81: 53, 1973.

12. Selgrade, M. K. and J. E. Osborn. Brain interferon response to virulent or avirulent Newcastle disease virus in mice. Proc. Soc. Exp. Biol. Med. 143: 12, 1973.

13. Osborn, J. E., S. M. Robertson, B. L. Padgett, G. M. ZuRhein, D. L. Walker and B. Weisblum. Comparison of JC and BK human papovaviruses with SV40: restriction endonuclease digestion and gel electrophoresis of resultant fragments. J. Virology 13: 614, 1974.

14. Selgrade, M. K. and J. E. Osborn. The role of the macrophage in resistance to murine cytomegalovirus. Infection and Immunity 10: 1381, 1974.

15. Osborn, J. E., S. M. Robertson, B. L. Padgett, D. L. Walker and B. Weisblum. Comparison of JC and BK human papovaviruses with SV40: DNA homology studies. J. Virology 19: 675, 1976.

16. Lakeman, A. and J. E. Osborn. Molecular size of infectious DNA of human and murine cytomegalovirus. J. Virol. 30: 414, 1979.

Other Publications:

1. Osborn, J. E. Dual infection of mice with Newcastle disease and mouse cytomegaloviruses. In: Medical and Applied Virology: Proceedings of the Second International Symposium. M. Sanders and E. H. Lennette (Eds.). Warren H. Green, Inc., St. Louis, 1968, p. 18.

2. Osborn, J. E. Diseases caused by human cytomegalovirus. Chapter 37C in Brennemann-Kelley's Practice of Pediatrics. Hoeber Medical Division, Harper and Row, New York, 1970. Revised 1975.

3. Osborn, J. E. History, Science and Politics of Influenza in America: 1918-1976. June E. Osborn, Editor and part-author. Prodist, New York, 1977.

4. Task Force Report on Virology: Chronic and persistent viral infections. (J. E. Osborn one of 15 authors.) NIAID. U.S. Department of Health, Education and Welfare Publication # (NIH) 79-1831, 1979.

5. Osborn, J. E. Managing chickenpox complications. Consultant, March 1979, p. 69.

6. Osborn, J. E. Precise viral diagnosis: why bother? In: Diagnosis of Viral Infections: The Role of the Clinical Laboratory. D. A. Lennette, S. Spector and K. D. Thomson (Eds.). University Park Press, Baltimore, 1979, p. 1.

7. Osborn, J. E. Viral vaccines under development; a third generation. In: Cell Substrates: Their Use in the Production of Vaccines and Other Biologicals. J. C. Petricciani, H. E. Hopps and P. J. Chapple (Eds.). Plenum Press, New York, 1979, p. 61.

8. Panel Report: Viral and Rickettsial Vaccines. DHEW Food and Drug Administration Implementation of Efficacy Review. (J. E. Osborn one of seven contributors.) Federal Register 45: 25652, 1980.

9. Osborn, J. E. Medical Perspective: Cytomegalovirus pathogenicity, immunology and vaccine initiatives. Journal of Infectious Diseases 143: 618, 1981.

10. Osborn, J. E. Biologics Now. FDA Consumer (75th Anniversary Commemorative Issue), June 1981.

11. Osborn, J. E. Herpesviruses of mice. In: The Mouse in Biomedical Research, Volume II - Diseases. H. L. Foster, J. D. Small and J. G. Fox (Eds.). Academic Press, New York, 1982, p. 267.

12. Osborn, J. E. Human cytomegalovirus infection and disease. Chapter 83 in Infections in Children. R. J. Wedgwood, S. D. Davis, C. G. Ray and V. C. Kelley (Eds.). Harper and Row, New York, 1982, p. 1203.

13. Osborn, J. E. Cytomegaloviruses and other herpesviruses of mice and rats. In Press (Chapter in Infections of Laboratory Rodents), Academic Press. P. H. Bhatt, editor. 1986.

14. Osborn, J. E. Biological risk of viral agents endogenous to cell substrates. Monograph #6: Abnormal Cells, New Products and Risk, p. 175. Tissue Culture Association. 1986.

15. Osborn, June E. The AIDS epidemic: an overview of the science. Issues in Science and Technology II(2):40-55, Winter 1986.

16. Osborn, June E. The AIDS epidemic: multidisciplinary trouble. New England Journal of Medicine, 314(12): 779-782, 1986.

17. Osborn, June E. AIDS, social sciences, and health education: A personal perspective. Health Education Quarterly, 13: 287-299, 1986.

18. Osborn, June E. AIDS and the world of the 1990s: Here to stay. J. of Aviation, Space and Environmental Medicine, 57: 1208-1214, December 1986.

19. Panel report: Confronting AIDS: Directions for public health, health care and research. (JEO one of several contributors.) National Academy of Sciences Press, October 1986.

20. Osborn, June E. Book Review Essay: Confronting AIDS. Law, Medicine, and Health Care, 14: 298-302, 1986.

21. Osborn, June E. AIDS: Five Years and Counting. Michigan Quarterly Review, XXVI(2): 324-341, Spring 1987.

22. Osborn, June E. The personal and social costs of the AIDS epidemic: A different kind of currency. The Internist, April 1987, pp. 16-19.

23. Osborn, June E. Themes in science, technology and the constitution: The impact of science and technology on public health. Office of Technology Assessment, Washington, D.C., 1987.

24. Osborn, June E. and Brandt, Edward N., Jr. Summary Report: III International Conference on AIDS. Published by National Institutes of Health, 1987.

25. Osborn, June E. Ethical issues raised by AIDS. Transactions of the Royal Society of Canada, Series V, Vol. II, pp. 41-54, 1987.

26. Osborn, June E. The AIDS epidemic: Six years. Annual Review of Public Health, 9: 551-583, 1988.

27. Osborn, June E. AIDS: Politics and science. New England Journal of Medicine, 318(7): 444-447, 1988.

28. Osborn, June E. Viruses as contaminants. In Banbury Report 29: Therapeutic Peptides and Proteins: Assessing the New Technologies. Cold Spring Harbor Laboratory. 1988, pp. 137-149.

29. Osborn, June E. The future of antiviral chemotherapy. In HIV and Other Highly Pathogenic Viruses. Academic Press, Inc. 1988, pp. 125-132.

30. Osborn, June E. AIDS: The challenge to ambulatory care. J. Ambulatory Care Management, 11(2): 19-26, 1988.

31. Osborn, June E. AIDS: Politics and Science. The 1988 McInally Lecture. The University of Michigan.

32. Osborn, June E. Epilogue: Charting the future course: Virology. Transfusion Medicine Reviews, 2(4): 272-274, December 1988.

33. Osborn, June E. AIDS prevention: Issues and strategies. AIDS, 2(Suppl. 1), pp. S229-233, 1988.

34. Osborn, June E. Medical considerations. In Marthea Falco & Warren I. Cikins (Ed.), Toward a National Policy on Drug and AIDS Testing. Washington, D.C.: The Brookings Institution. 1989, pp. 26-42.

35. Osborn, June E. AIDS: The politics of prevention. Daedalus, Living with AIDS: Part II, 118(3): 123-144, Summer 1989.

Invited Lectures on AIDS:

Institute of Medicine Annual Meeting, Washington, DC. October 1985.
National Health Policy Forum, Washington, DC, February 1986.
National Health Council, Washington, DC, March 1986.
Michigan State University, East Lansing, March 1986.
University of North Carolina, Chapel Hill, April 1986.
Armstrong Lecturer, Aerospace Medical Association Annual Meeting, Nashville, Tennessee, April 1986.
Organization Research Counselors, Washington, DC, May 1986.
Washington Business Group on Health, Washington, DC, May 1986.
Moderator of AIDS Panel, APHA Annual Meeting, Las Vegas, October 1986.
American College of Physicians Board of Governors, Baltimore, MD, October 1986.
Wesleyan University, Wesleyan, CT, November 1986.
ICN Symposium on Antiviral Therapy, Newport Beach, CA, February 1987.
Moderator of AIDS Panel, AAAS Annual Meeting, Chicago, IL, February 1987.
Harvard University, Cambridge, MA, March 1987.
American Society of Newspaper Editors, San Francisco, April 1987.
Royal Society of Canada Annual Meeting, Hamilton, Ontario, June 1987.
Group Health Association of America Annual Meeting, Seattle, WA, June 1987.
National Leadership Group on Health, Washington, DC, July 1987.
American Political Science Association Annual Meeting, Chicago, IL, September 1987.
National Association of Administrators of Internal Medicine Annual Meeting, Ann Arbor, MI, September 1987.
Michigan Chapter, American College of Physicians Annual Meeting, Traverse City, MI, September 1987.
Texas Lyceum Annual Conference, San Antonio, TX, September 1987.
NIMH Conference on Women and AIDS, Bethesda, MD, September 1987.
Connecticut Department of Public Health Annual Meeting, Waterbury, CT, September 1987.
University of West Virginia Research Day Keynote Address, Charleston, WV, October 1987.
University of Alabama-Birmingham Keynote Speaker, Birmingham, AL, October 1987.
Conference on Mayors Meeting on AIDS, Keynote Speaker, New York City, October 1987.
Washington University-St. Louis, October 1987.
Michigan Council of Foundations Annual Meeting, Grand Rapids, MI, November 1987.
Bureau of National Affairs, Washington, DC, November 1987.
Association of American Medical Colleges Council of Deans, Washington, DC, November 1987.
National Association of Public Hospitals, Washington, DC, November 1987.
NIH Director's Advisory Committee, Bethesda, MD, November 1987.
Institutional Investors Institute Annual Meeting, Naples, FL, November 1987.
Premier Hospital Alliance, Chicago, IL, December 1987.
Group Health Association of America, Washington, DC, January 1988.
Pennsylvania State University, College Park, February 1988.
College of American Pathologists, Washington, DC, March 1988.
National Association of Counties, Washington, DC, March 1988.

Stanford University, Palo Alto, CA, March 1988.
Summary Speaker, NIH meeting on Transfusion-transmitted Viruses, San Francisco, March 1988.
National Association of Broadcasters, Las Vegas, April 1988.
AAMC Academic Hospital Administrators, Palm Beach, FL, April 1988.
Council on Foundations, Los Angeles, April 1988.
S.J. Kaufman Lectureship Panel, John F. Kennedy School of Government, Harvard, Cambridge, April 1988.
Australia/New Zealand Association for the Advancement of Science Centenary Meeting, Sydney, Australia, May 1988.
Georgia Public Health Association Annual Meeting, Jekyll Island, GA, June 1988.
Brookings Institution, Washington, D.C., June 1988.
Philadelphia AIDS Commission, Philadelphia, June 1988.
Michigan Council on Foundations, Lansing, June 1988.
NIMH Symposium, Burlington, VT, July 1988.
Invited participant, Office of Technology Assessment (Blood-transmitted diseases), Washington, D.C., August 1988.
NIAID Meeting on AIDS, San Juan, Puerto Rico, August 1988.
Second International Conference on AIDS Education, Charleston, SC, August 1988.
American Bar Association, Toronto, Canada, August 1988.
University of Medicine and Dentistry of New Jersey, Piscataway, NJ, September 1988.
Royal Society of Medicine, London, England, September 1988.
United Arab Emirates Gulf AIDS Conference, Abu Dhabi, U.A.E., October 1988.
McCormick Lecture, Stanford Medical School, Stanford, CA, October 1988.
Invited participant, Roscoe Pound Foundation, Washington, DC, November 1988.
Massachusetts Institute of Technology, Cambridge, MA, November 1988.
Health Resources and Services Administration, Rockville, MD, November 1988.
University of North Carolina, Chapel Hill, NC, February 1989.
National Academy of Science and Technology, Cairo, Egypt, March 1989.
Autonomous University Medical School, Madrid, Spain, March 1989.
National Institute of Justice, Miami, FL, April 1989.
National Forum for Health Care Planning, Washington, DC, April 1989.
Merieux Foundation Meeting, Annecy, France, April 1989.
Medical College of Georgia (Presidential Inaugural Lecturer), Augusta, GA, May 1989.
Cleveland Clinic Foundation, Cleveland, OH, May 1989.
NIH Workshop on Research on Sexual Behavior and AIDS, Bethesda, MD, May 1989.
Association of Practitioners of Infection Control, Reno, NV, May 1989.
Plenary speaker, Fifth International Conference on AIDS, Montreal, Canada, June 1989.
National Council on Foundations, Washington, DC, June 1989.

AIDS PREVENTION AND EDUCATION

Senator **Specter**. Dr. Osborn, let me come to a couple of critical questions if I may, because we have limited time.

The first question that staff has prepared is the $64 trillion question, is the Federal Government spending enough on AIDS prevention and education?

Dr. **Osborn**. I would say no, not on AIDS prevention and education. I think there is an imbalance in present expenditures, and that is an exceptional area.

Senator **Specter**. How much should we be spending?

Dr. **Osborn**. I certainly am not in a position to give you a dollar figure in answer to that. I was, however, a member of the Institute of Medicine Steering Committee of the study that was done in 1986 which has served as a blueprint for progress in a fairly useful way up until now.

It was recommended at that time that the expenditures for research on the one hand and for prevention and education and health care on the other should be approximately equal, and they are very unequal at the moment.

Senator **Specter**. Dr. Osborn, the Commission has 15 people, and, of course, you are going over the same issues that many other Federal agencies do.

Who are your 15 members?

Dr. **Osborn**. We have 12 voting members, and I think I have included in some material that you have fairly detailed biographies of the several members. I am proud to say that the Vice Chairman is Dr. David Rogers, who is the Walsh McDermott Professor of Medicine——

Senator **Specter**. I can take a look at the constituency. My real questioning though is, How effective are these individuals in bringing a new dimension to this issue which is not present with the many Federal agencies which are working on it now?

Dr. **Osborn**. They are extraordinarily effective. They are very much the idea that was recommended as the primary recommendation in the Institute of Medicine National Academy of Sciences report of 1986 and again in the update of 1988 and the white paper that was given to President Bush as he took office in 1989, that there should be a Commission that represented a cross segment of the expertise of society in all of the areas or as many of the areas as possible that are impacted by an epidemic of this scope.

Everybody has had rather intensive experience with the epidemic through their various expertise. We have attorneys. I think there are four members who are physicians by training. There is one person who is the head of a State health department. As you see, I am dean of a school of public health but a pediatrician and a virologist by background.

Senator **Specter**. Dr. Osborn, we are going to submit some questions to you in writing prepared by staff, but one of the questions is the status of access of health care to persons infected with HIV, and I would like you to pay particular attention to that in your written response and also to the question of the availability of insurance to people with HIV and what might be done on that subject.

One question I would like you to comment about orally is, the President's fiscal year 1991 budget strikes grants to States to encourage the development of home and community-based health services for persons with AIDS.

Is that an appropriate strike?

Dr. **Osborn**. We feel it is very inappropriate and going in the wrong direction. We did in fact release an early report which focused on several of the issues you just brought up because we felt the urgency of need was so great, so that there is a written version of that appended to the material that we gave you.

Senator **Specter**. Dr. Osborn, this is a very broad question. I am sure that the subcommittee would be interested in your thinking on an overall approach to the problem of AIDS. You have Maureen Byrnes with you, so she can take a look at what others are getting. We would be interested in your judgment about what ought to be spent and ought to be allocated to the other lines. That way her absence will not be so sorely felt here.

Dr. **Osborn**. We would be very happy to continue offering that kind of guidance as we go. We are hoping to play an interactive role with our Congress as well as with the executive branch. We think that we can justify in the energy and expertise of the Commission the kind of resources that are recommended in the upcoming budget.

Ms. **Byrnes**. We would be happy to supply that to you, Senator.

Senator **Specter**. That would be fine.

[The information follows:]

AIDS

Senator Specter, I have often said, the only new thing about AIDS is the virus itself. Almost all of the problems we are faced with in health care, financing, and the like are old ones that are patched together or ignored; and the effort we devote to their solution will have benefits far beyond the scope of AIDS. In particular, AIDS is increasingly becoming a chronic, treatable disease, and our urgent need to create options to provide for a continuum of care raises many of the issues that our elderly could have told us about long ago. If we meet the challenge thoughtfully, our efforts can have a positive impact far beyond the immediate crisis of the HIV epidemic. Furthermore, regarding research, the insights accruing in many areas of so-called AIDS research will have a rich harvest of progress in many other areas—most notably cancer, progressive neurologic disorders and some of the chronic arthridites.

Senator Specter, AIDS is a communicable disease. The numbers are not static and indeed are escalating rapidly. AIDS has a long silent interval prior to its inexorable expression, and the fact that it is preventable means further spread is unconscionable. In those senses, unlike other diseases, it is not yet anywhere near control—and that is very different from other diseases.

AIDS needs the President's full budget request and more. As I indicated earlier, subsidies for HIV and AIDS-related drugs are essential. Dollars are needed for home and community-based services. "Disaster relief" for those communities most heavily impacted by the epidemic must be provided just as the dollars to plan for the impact must be provided to those communities that are just beginning to be faced with their first cases of HIV infection and AIDS. Housing Assistance for those who are homeless and have HIV infection and AIDS is a growing need which will cost money.

These funds and the funds for all of the programs responding to the needs of people with HIV infection and AIDS must not be taken from other vital health and human service programs. Community health centers are at the very forefront of our battle with AIDS. The training of health care professionals is essential to ensuring a cadre of trained physicians, nurses and other health care providers. Maternal and child health programs provide needed services and offer opportunities to reach women and children who may be at increased risk for HIV infection and AIDS. We simply cannot cut the funds from our traditional health care and prevention programs to pay for the increases desperately needed for HIV and AIDS. We need both and we need comprehensive reform in a health care delivery system that is fragmented and unresponsive to many who rely on it for their most basic health care needs.

AIDS EPIDEMIC

Senator **Specter**. Now we have Maureen as a speaking partner. [Laughter.]

Anything else you would like to add?

Dr. **Osborn**. No; I think the only thing I would like to add is that it is a very great myth or misperception on the part of the public that the AIDS epidemic may be about to level off or get better even. Lots of people say that to me. I think we need to be very much aware that it will be much worse in the 1990's than it was in the 1980's and that we are very poorly prepared for the impact of that.

We just got back from New York and New Jersey, Monday and Tuesday, looking at some of the impacts as they now stand, and it is difficult to keep in mind that however terrible it is, it will double in the next 2 years for sure. So we have big work ahead of us.

Senator **Specter**. OK, thank you very much.

Nice to see you again, Maureen.

Ms. **Byrnes**. Nice to see you, too, Senator. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Specter**. There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EFFECTIVENESS OF AIDS PROGRAMS

Question. There are a number of federal AIDS education and prevention programs targeted toward individuals at risk. It appears that some are working better than others: for example, the rate of the spread of the disease appears slower than originally anticipated among homosexual males, but faster than ever among IV drug users.

What kind of a job are we doing--who are we reaching, and who isn't being reached?

What work is your Commission doing to assess the effectiveness of current programs and recommend changes, and what have you discovered so far?

Answer. As you know, the gay community has set an extraordinary example for developing methods to reach individuals who may be engaging in high risk behavior. It is clear that many gay men in urban areas are well educated about HIV transmission. Those not being reached effectively at this time include youth generally, inner-city youth in particular, bisexuals, homosexuals outside of urban areas, drug users, and the partners of bisexuals and drug users. We are also particularly concerned that AIDS information and education needs to be greatly improved in rural communities.

As noted above, the Commission believes that far too many individuals at risk for HIV infection have not been reached as of yet. Our hearings and site visits to date have confirmed this view. The full Commission, as well as the Working Group on Social/Human Issues, will continue to monitor the effectiveness of current federal efforts in this regard and, as problems are identified, will make recommendations for improving national efforts on the education and prevention fronts.

STATUTES AND DISCRIMINATION

Question. The Commission is charged with evaluating current federal and state laws on civil rights relating to AIDS.

What have you found so far, and what recommendations would you make?

Answer. The Commission's first official action was to issue a statement endorsing the Americans With Disabilities Act, which would provide discrimination protections to all people with disabilities, including people living with AIDS and HIV infection. The Commission shares the view that such discrimination protections are not only essential to enhance the quality of life for people with AIDS but serve as the linchpin of our nation's efforts to control the HIV epidemic.

Many barriers now exist to traditional public health strategies because of the potential discrimination that individuals face in their communities and workplaces. The Working Group on Social/Human Issues is currently examining ways to reduce HIV-related discrimination at all levels of society including the state and local level.

COMPENSATION FOR CARE

Question. The Institute for Health Policy Studies of the University of California, San Francisco, noted in a recent report that the cost of personal medical care of AIDS patients was about $630 million in 1985; that amount is expected to reach $8.5 billion in 1991. Both of those amounts exclude the cost of research, testing, education, and support services.

What is your assessment of public and private insurance coverage for HIV infection and the medical care associated with AIDS: in what ways is coverage inadequate, and what changes is the Commission recommending to programs such as Medicare and Medicaid?

Do you have any estimates of the cost of uncompensated care?

Answer. The Commission has also looked to outside studies for guidance in this area. The report you refer to, issued by the Institute for Health Policy Studies of the University of California, San Francisco, appears to be an excellent study of the issues surrounding the cost of care for those with AIDS.

The Commission is concerned that private and public insurance coverage is inadequate (and in fact, in many cases, nonexistent for many with HIV infection and AIDS). We plan to look at these issues very closely over the coming months. We are currently in the process of reviewing legislative proposals that would seek to make the Medicaid program more responsive to the needs of those with HIV-related illnesses.

Once again, we have looked to the experts on health care financing for such data. A 1987 survey by the National Public Health and Hospital Institute of health care coverage for people living with AIDS found that approximately 25% of people with AIDS are uninsured; 44% are covered by Medicaid; 29% by private insurance; and 1% by Medicare. There is considerable geographic diversity. While nationally, Medicaid is the largest payor for hospitalized people with AIDS, at 44%, coverage ranges from 54% (Northeast) to 18% (South). As the epidemic moves into the South and the Midwest, the restrictive policies of these Medicaid poor states will exclude many more people living with AIDS. These factors, and others including the recognition that many people are not even accessing the Medicaid system, must be taken into account as we develop policy for confronting the health care needs of people living with AIDS and HIV infection.

BLEACH/CLEAN NEEDLES

Question. Last year you recommended that the federal government continue to distribute bleach to IV drug addicts so that they would reduce their risk and their partners' risk of spreading HIV.

Does the Commission still support this activity?

What have studies shown about the impact of using bleach to clean needles, and should the government be involved in distributing bleach for this purpose?

Answer. The Commission continues to support research and demonstration projects involving the distribution of bleach to reduce the spread of HIV among intravenous drug users until the efficacy of this approach can be determined. This determination should be made by the Assistant Secretary for Health or the Secretary of Health and Human Services.

OUTREACH TO WOMEN AT INCREASED RISK

Question. This subcommittee proposed supplemental funding to Title X clinics last year to increase outreach and education to women at high risk of contracting HIV and spreading the infection to their children.

What is your opinion of such a program--is one needed, and if so, how would you recommend reaching this population?

Answer. Yes, absolutely, such outreach programs are very important for reaching women who may be at risk for HIV infection. In addition to creating new programs and new opportunities for outreach, it is essential that we look to already existing programs that provide services to women to incorporate AIDS education and prevention, as well as services to their clients.

AIDS DRUGS

Question. Last year, the Secretary of HHS recommended starting HIV positive individuals on AZT or other AIDS drugs early, in order to forestall progression of the disease. Yet the proposed budget would discontinue funding for AIDS drug reimbursement.

What is the Commission's position with regard to when individuals should start treatment with AZT or other AIDS drugs, and what is your position respecting reimbursement for those drugs?

What drugs are currently available for treatment, and is the Commission recommending any action on the part of Congress to speed the development or availability of new drugs?

Answer. The Commission has not entered the debate over when individuals should begin treatment with AZT or other AIDS drugs. The NIH has recently convened a panel of experts to recommend state-of-the-art treatment with AZT and the Commission would certainly support these recommendations.

With respect to reimbursement for such drugs, the Commission has indicated support (Statement on "CARE" Act of 1990, S. 2240) for establishing a permanent program to provide therapeutic treatments, that have been determined to prolong life or prevent serious deterioration of health, to low-income individuals with AIDS or HIV disease.

The Commission will continue to monitor the development and availability of new drugs. During the coming months, we will be examining these areas more closely and will keep you abreast of our findings.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

PREVENTION AND EDUCATION

Question. Dr. Osborn, I understand that the rate of new cases of HIV infection among IV drug users is increasing. As you know, this Committee appropriated a considerable amount of money to support state and local prevention and education programs regarding both AIDS and drug abuse. Has the Commission examined the effectiveness of these programs at the local level? What are the key aspects of effective HIV prevention and education programs, particularly among the drug abusing population?

Is the federal government spending enough for AIDS prevention and education?

Answer. It is clear that AIDS among IV drug users is increasing. In fact, the spread of AIDS is not limited to IV drug users, but other drug users as well, most notably crack cocaine users. Far too many drug users have not been reached through education efforts to date.

Our hearings and site visits have confirmed this to be truer than ever. The full Commission, as well as the Working Group on Social/Human Issues, will continue to monitor the effectiveness of current efforts for education and prevention in various communities and at all levels of government.

I would also add that the Commission has issued a statement endorsing the Presidential Commission's position on treatment on demand that--it is imperative to curb drug abuse, especially intravenous drug abuse, by means of treatment in order to slow the HIV epidemic. Because a clear federal, state, and local government policy is needed, the Commission recommends a national policy of providing treatment on demand for intravenous drug users.

As far as federal spending for AIDS prevention and education, there is clearly a need to do more. The Commission looks forward to making recommendations over the coming months on how we might improve current efforts and where we must direct new ones. It is clear that restrictions imposed on the use of education and prevention funds are seriously impeding HIV control. They are clearly serving to prolong the HIV epidemic and should be removed.

BLEACH/CLEAN NEEDLES

Question. Dr. Osborn, you may recall, last year during consideration of the Labor, HHS and Education and Related Agencies Appropriation bill for fiscal year 1990, the Congress was confronted with the question of whether to provide federal funding for AIDS prevention demonstration programs which distributed clean needles or bleach for the purpose of cleansing needles. The question was resolved finally by prohibiting federal funds from supporting the distribution of needles, but permitting their use for demonstration programs which include the distribution of bleach. There is a strong possibility the Congress again will face this issue, what is the Commission's position on this matter?

Answer. The Commission continues to support research and demonstration projects involving the distribution of bleach to reduce the spread of HIV among intravenous drug users until the efficacy of this approach can be determined. This determination should be made by the Assistant Secretary for Health or the Secretary of Health and Human Services.

HEALTH CARE FOR PEOPLE LIVING WITH AIDS

Question. Dr. Osborn, providing access to health care for the poor and uninsured is a problem Congress has been wrestling with for years. What is the status of access to health care for persons infected with HIV?

How are state and local governments confronting the problem of care for persons with AIDS?

What hope does the development of HIV-related drugs have for reducing the burden and cost of care, particularly those drugs which appear to delay the onset of symptoms?

Answer. A 1987 survey by the National Public Health and Hospital Institute of health care coverage for people living with AIDS found that approximately 25% of people with AIDS are uninsured; 44% are covered by Medicaid; 29% by private insurance; and 1% by Medicare. There is, however, considerable geographic diversity. While nationally, Medicaid is the largest payor for hospitalized people with AIDS, at 44%, coverage ranges from 54% (Northeast) to 18% (South). As the epidemic moves into the South and Midwest, the restrictive policies of these Medicaid poor states will exclude many people living with AIDS. These factors, and others including the recognition that many people are not even accessing the Medicaid system, must be taken into account as we develop policy for confronting the health care needs of people living with AIDS and HIV infection.

For the medically disenfranchised, there is no access to a system of care. For those who have no doctor, no clinic, no means of payment, access to health care services is most often through the emergency room door of one of the few hospitals in the community that treats people with HIV infection and AIDS. Five percent of the nation's hospitals treat fifty percent of the people with AIDS.

Many state and local governments have attempted to respond to the needs of people with HIV infection and AIDS. However, few have developed adequate systems for meeting those needs.

Improvements in clinical management and the utilization of home and community-based care have contributed to reduced estimates of the cost of care for people with HIV infection and AIDS. Further development of treatments and diversification of care options should continue to reduce the costs of care and the pressure on our hospital system. However, as AIDS becomes a chronic illness, significant long-term care needs will have to be addressed.

COMMISSION BUDGET

Question. Dr. Osborn, the Commission's budget request for fiscal year 1991 is $2,000,000 above the 1990 level. This represents a 200 percent increase. What activities will the Commission undertake with these ennanced resources in FY'91?

Do you anticipate additional staffing requirements?

Has the Commission had sufficient resources to carry-out its legislative mandates in fiscal year 1990? Have you had to scale down the scope of the Commission's activities as a result of limited funding?

Answer. Absolutely. In fact, the proposed budget figure for 1991, includes sufficient funds to expand the current number of staff to approximately 15 full-time staff positions. These additional staff are needed in a variety of areas including medicine and health care financing.

As you know, the Commission was authorized for $2 million in FY89 but only received half that in FY90. Yes, we have had to limit our activities and limit the number of staff the Commission could actually use to fulfill its legislative mandates. We are committed to doing the job with the funds we have been allocated but I am not at all certain that these funds will be sufficient for the rest of this year and we certainly can and will use all the funds provided for in the President's budget. Maureen Byrnes has provided your staff with an overview of how we would propose spending the full $3 million.

PAST YEAR BUDGET INFORMATION

Question. In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

1) Total Salaries and Expenses

2) Amount of your appropriation that was unused and turned back to the Treasury

3) Equipment-Expenditures

4) Fourth Quarter Expenditures (all items over $3,000)

Answer. As you know, the Commission has only been operating since August 1989. The following information, therefore, is only based on our FY90 appropriation:

1) $517,000

2) n/a

3) $20,000

4) n/a

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

STATEMENT OF STUART H. ALTMAN, Ph.D., CHAIRMAN

ACCOMPANIED BY DONALD A. YOUNG, M.D., EXECUTIVE DIRECTOR

SUMMARY STATEMENT

Senator SPECTER. Next we will hear from Dr. Stuart Altman, Chairman of the Prospective Payment Assessment Commission, ProPAC.

If we eliminate PAC's, Dr. Altman, what happens to you?

Dr. ALTMAN. Well, I do not think we qualify in the same Commission world. We were set up by the Congress as a result of the passage of Medicare's prospective payment system in 1983. We are here to serve you, and if at some point the Congress felt we were not necessary we could end, but I would like to believe that we have provided the Senate and the House with useful information.

We just testified this morning before the Ways and Means Committee and provided them with our sixth report, which I have a copy here for you and for other members of the committee.

Senator SPECTER. Thank you.

RURAL HOSPITALS

Dr. ALTMAN. Last year when I appeared before this subcommittee, Senator Harkin asked me a series of questions dealing particularly with rural hospitals. In our testimony we have gone into some detail about the issue of rural hospitals and how they have fared and told the subcommittee that we have now made a series of recommendations on improving the financial plight of rural hospitals.

Senator SPECTER. On that subject, has the Commission found a disparity between payments to rural hospitals and hospitals in urban areas?

Dr. ALTMAN. Yes, sir; we have new information this year that has never been available before which suggests that payments went up faster for urban hospitals than for rural hospitals and, therefore, widened the gap between payments and costs. Our recommendation, therefore, is to improve the payment system for rural hospitals so that that gap can be wiped out.

Senator SPECTER. So you have a proposed solution to that inequity?

Dr. ALTMAN. Yes, sir; and it is in my recommendations.

HOSPITAL CLOSURES

Senator SPECTER. Last year your testimony related to the completion of the first part of a study of hospital closures. Has that study been completed, and what are its major findings?

Dr. ALTMAN. This is Don Young, our Executive Director.

Senator SPECTER. Thank you, Dr. Young.

Dr. YOUNG. The second part of that study will be in our June report to Congress. We are repeating the information that we generated last year, adding another year to it.

In addition, we are looking at the pattern of expenditures by where rural residents live to see if the pattern has changed.

We have another study on access that we summarized briefly in our testimony showing that the rate of hospitalization for rural beneficiaries, while it has dropped in the PPS years, remains higher than urban.

PREPARED STATEMENT

The preliminary information on the expenditures shows a similar pattern, that there has been a slight decrease in total expenditures in areas where hospitals have closed, but the change has not been a dramatic one. It appears that rural beneficiaries, while not receiving as many services in their home area, are continuing to receive a large number of services overall.

[The statement follows:]

STATEMENT OF STUART H. ALTMAN

Mr. Chairman, I am Stuart H. Altman, Chairman of the Prospective Payment Assessment Commission. I am accompanied today by Donald A. Young, M.D., Executive Director of the Commission. I am pleased to represent the ProPAC Commissioners and present ProPAC's budget and appropriation request for fiscal year 1991.

As you know, the Commission was created in 1983, as part of the law which established the Medicare prospective payment system (PPS). We are charged with maintaining and updating this hospital payment system through reports and recommendations to the Congress and the Department of Health and Human Services. The 17 Commissioners are experts in health services delivery, financing, and research. We are appointed by the Director of the Congressional Office of Technology Assessment. Our work is supported by an Executive Director and a staff of up to 25 people.

Recent Commission Accomplishments

In the six years since ProPAC began its work, we have examined many important policy issues. In some cases the Secretary has accepted our recommendations for improvements to PPS. In a number of other important areas the Congress has legislated the necessary changes. We believe that continuing adjustments are necessary to ensure that PPS is equitable and is responsive to constantly changing medical practice. Our most recent report, to be delivered to the Secretary and the Congress tomorrow, March 1, 1990, contains fifteen recommendations for updating and improving PPS.

The Commission's reports and recommendations reflect the broad scope of our work. Today, however, I am only going to highlight a couple of areas that I believe are of special interest to you.

Mr. Chairman, I know that you and the members of this subcommittee are especially concerned about the problems facing small rural hospitals. The Commission shares your concern and has continued to closely examine the welfare of these hospitals.

Building on previous work, this year the Commission was able to develop new data comparing the costs and payments for rural hospitals with those for urban hospitals. This data showed that urban hospitals payments relative to their costs are higher than for rural hospitals. This is primarily because urban hospitals have had a larger increase in payments from reported case-mix changes than rural hospitals.

As a result of this new information, we are recommending that the difference in the base payment amounts between other urban and rural hospitals be eliminated over three years. This difference in the so called standardized amounts was included in the original legislation establishing the Medicare prospective payment system. The differential was about 20% in the first year of PPS. In recent years ProPAC has recommended, and the Congress has enacted, higher update factors for rural hospitals than for urban hospitals. As a result of higher updates and other changes, in 1990 the differential between other urban and rural standardized amounts is about 7.0%.

For fiscal year 1991 we are again recommending a higher update factor for rural hospitals which will continue the phased-in elimination of the difference between the standardized amounts. The recommended update for rural hospitals is 7.0%. This update factor is 2.1% higher than the projected increase in the hospital market basket measure of inflation. The recommended update factor for large urban and other urban hospitals is 4.5%.

Major Policy Analyses

In addition to our March Report and Recommendations, the Congress has also asked us to examine the impact of PPS on the rapidly changing American health care system. Our next annual report to you, Medicare Prospective Payment and the American Health Care System, will be delivered in June 1990.

That report will contain additional information of interest to you. I would like to highlight some of the work underway related to rural hospitals.

One of the major problems facing rural hospitals has been the decline in admissions. Total admissions to rural hospitals decreased about 5% annually between 1980 and 1987. In contrast, admissions to urban hospitals decreased on average of only 0.4% annually over the same time.

This decline in admissions to rural hospitals led us to examine the rates of hospital admission for Medicare beneficiaries living in rural areas. We found that while the rate of admissions to rural hospitals was declining, rural residents had a higher rate of overall hospital admissions than urban residents in the five states we studied. This pattern of higher rates of inpatient hospital use by rural residents has been present for some time. Over the period of study, however, the difference in hospital use for urban and rural residents narrowed somewhat. Of particular importance was the finding that residents of rural areas were increasingly being hospitalized in urban hospitals to receive more technologically complex medical care. Admissions for services which are less complex and for which there is general agreement about the need for hospital care did not decline.

We plan to continue this work. We believe that it is important to look at the patterns of overall hospital use by rural residents. We are aware, however, that examining only the rates of hospital use is not enough. There may be factors related to the availability of other services in rural areas that influence hospital admissions rates, and we plan to examine this broader topic as well.

Finally, we have previously reported to you that over the years of PPS rural hospitals have not done as well financially in their Medicare business as have urban hospitals. Policy changes which we have recommended, as well as other changes which have been enacted, are narrowing this difference. Our recommendation to eliminate the difference in the standardized amounts will continue to narrow the gap.

Since a hospital's financial condition relates to its overall business as well as its PPS business, this year we also examined overall hospital financial condition for rural as well as urban hospitals. What we found was somewhat surprising. Overall, rural hospitals continue to have positive margins of about 4% in the fifth year of PPS (approximately 1988). We are aware that this average figure includes hospitals that are doing very well as well as those that are doing poorly. We are continuing to examine why some rural hospitals do well and others do not.

In summary, Mr. Chairman, our work this year has resulted in some new and important findings. Rural residents are continuing to receive inpatient care at higher rates than urban residents, in part because they are receiving more complex services in urban hospitals. The overall financial condition of many, but not all rural hospitals, is better than many of us had expected it to be. Our recommendation to eliminate the difference in base payment amounts for rural and other urban hospitals will continue to improve rural hospitals PPS financial performance relative to urban hospitals. In addition, we will focus specifically on the reason for the continuing poor financial condition of a subset of rural hospitals.

Studies Requested by Congress

In addition to our March and June Reports, the Congress periodically requests that we examine specific topics. In May 1990, we will be submitting a report to you concerning payments to rural sole community hospitals and small rural hospitals. This report will examine the feasibility and desirability of using a cost-based reimbursement system to determine the amount of payments to be made to small rural hospitals and sole community hospitals. It will also consider methods for adjusting for declining occupancy in small rural hospitals.

We have also been asked to report to you our analysis of a legislative proposal that will be submitted by the Secretary to eliminate the different urban and rural standardized amounts. Other studies underway examine the problems faced by hospitals with a high proportion of Medicare cases, payments for hospital outpatient services, and payments for the care of people with hemophilia.

Finally, at the request of this Committee, we are examining the impact on hospital finances of payments to non-physician health providers. We plan to present our findings on this topic in our June Report to Congress.

Fiscal Year 1991 Appropriations Request

Let me now turn to our fiscal year 1991 budget and appropriation request. We are proposing a budget of $4,073,000. This represents an increase of about five percent over our fiscal year 1990 budget of $3,869,000.

Our funds are expended in two major categories: Administration and Management, and Data Development, Analysis and Research.

Administration and Management ($2.823 million)

This category includes funding necessary for payment of Commissioners for travel and time spent on Commission business;

for salary and benefits for an Executive Director and staff; for facilities, supplies, equipment, and travel; for communications with the public, including maintenance of an extensive mailing list, publication of three major annual reports, additional reports requested by Congress, a series of technical reports, and expenses associated with open public meetings of the Commission and its subcommittees; and for other administrative expenses associated with facilitating the work of the Commission.

Data Development, Analysis, and Research ($1.250 million)

This category represents funds from the proposed budget which are to be expended through grants and contracts with organizations and individuals outside ProPAC. We believe that an important Commission role is to identify, define, and develop solutions for problem areas in the prospective payment system. Because we wish to base our decision-making on the best, most recent and thorough data and information possible, a strong analytic commitment is required. Analysis and data development which cannot be completed internally by the Commission's staff is thus included in this category of funding.

Our extramural data development and research budget and agenda for 1985-1991 is attached to our budget justification. In the attachment we describe the projects that have been completed, those that are ongoing, and those that are under consideration.

In summary, Mr. Chairman, since PPS was enacted the American health care system has changed in many important ways. ProPAC will continue to examine these changes and recommend to you improvements in PPS to ensure that Medicare beneficiaries continue to receive high quality care.

Mr. Chairman, this completes my formal testimony. I would be pleased to answer any questions which you or members of the Committee may have.

BIOGRAPHY OF STUART H. ALTMAN

Stuart H. Altman, dean of the Florence Heller Graduate School for Social Policy, Brandeis University, and Sol C. Chaikin Professor of National Health Policy, is an economist whose research interests are primarily in the area of Federal health policy. He has been at Brandeis since 1977. Between 1971 and 1976, Dean Altman was deputy assistant secretary for planning and evaluation/health at the Department of Health, Education and Welfare (now the Department of Health and Human Services). In that position, he was one of the primary contributors to the development and advancement of the National Health Insurance proposal. From 1973 to 1974, he also served as the deputy director for health of the President's Cost of Living Council, where he was responsible for developing the council's program on health care cost-containment. Formerly, Dean Altman taught at Brown University and at the University of California (Berkeley). He is a member of the Institute of Medicine of the National Academy of Sciences and former member of its governing council; on the board of Beth Israel Hospital (Boston); chairman of the board of the Health Policy Center at Brandeis; and president of the National Foundation for Health Services Research. He is a past president of the National Association for Health Services Research and former board member of the Robert Wood Johnson Clinical Scholars Program. Dean Altman also served on the President's Commission for a National Agenda for the Eighties. A member of several editorial boards, he has published extensively on various aspects of health care and public policy. His publications include: the Arthur Weissman Memorial Lecture, "Will the Medicare Prospective Payment System Succeed? Technical Adjustments Can Make the Difference"; Federal Health Policy: Problems and Prospects, with Harvey M. Sapolsky; Ambulatory Care: Problems of Cost and Access, with Joanna Lion and Judith LaVor Williams; "Financing Hospital Care: An Uncertain Future," Journal of Health Administration and Education, Winter, Vol. 3, No. 1, 1985; "The Impact of Cost Shifting on the Health Care System," in Health Care Commentary, Health Insurance Association of America; and "The Growing Physician Surplus: Will It Bankrupt or Benefit the U.S. Health System?" in In Search of a Public Policy, edited by Eli Ginzberg and Miriam Ostow. Dean Altman received both an M.S. and a Ph.D. in economics from the University of California (Los Angeles).

DATA BASE

Senator SPECTER. Is there anything else that you would like to add?

Dr. ALTMAN. Just that we are proposing a budget for fiscal year 1991 of $4,000,073, which is a 5-percent increase over our fiscal year 1990 budget. With the help of these funds we have been able to generate a data base which now is recognized as perhaps the best in the city, if not in the country. With that, and in addition to rural issues, we have been focusing heavily on the issue of teaching hospitals and how to pay them, as well as balancing out the payments between the various hospital sectors.

These issues are getting more complicated as the system tightens up.

Senator SPECTER. One final question. Your Commission was created by Congress in 1983 to advise the Congress and the Secretary of Health and Human Services. How do you assess the overall utility of your Commission in the context of the broader question as to whether we are creating too many commissions?

With a more focused question, can we accept all the advice we are getting? Can we listen to it, assimilate it, use it?

Dr. ALTMAN. I do believe that you can. The information that we give and have given primarily to the Senate Finance and House Ways and Means as well as others I think is quite focused. You ask us questions, and we give you answers.

I have been in this town for the better part of 20 years working in this area, having watched legislation play out. I cannot speak for every other commission, but given the complexity of the PPS system the Congress I think was wise to create it.

While I realize proliferation brings with it cost, we work to minimize that both with the Department, with HCFA, as well as with the PPRC Committee that came before you earlier today. So we try to keep the cost of duplication as low as possible and to be as targeted as we can. We realize we are a recommending body, and our only good is to make your life if not easier at least a little better understood.

If at some point the Congress feels that it is getting enough information, then I think commissions like ours should go out of business.

Senator SPECTER. Thank you very much, Dr. Altman.

Thank you very much, Dr. Young.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

1. Eliminating Rural Urban Differential

I understand that ProPAC will recommend in its March report that the current payment differential in standardized amount be eliminated in three years.

-- On what do you base justifying the differential and not eliminating it sooner than three years?

-- What would be the cost to Medicare to close the gap?

A: Since the beginning of PPS, the difference between the urban and rural standardized amounts has narrowed. A new analysis conducted this year by ProPAC indicated that urban hospital payments, relative to their costs, are higher than for rural hospitals. As a result, the Commission believes that the difference between the other urban and rural standardized amounts should be eliminated. The Congress has indicated that the difference should be phased out over 5 years. ProPAC is recommending a 3 year phase out. We believe that changes in payment policy that have a major financial impact on hospitals should be implemented carefully with the opportunity to evaluate their impacts.

ProPAC's recommendation would eliminate the differential in a budget neutral fashion, therefore there would be no additional cost to Medicare other than that associated with the overall level of the update factors. If the differential were eliminated in a manner that was not budget neutral, we estimate that the cost would be around $200 million.

2. Technical Problem With Wage Index

An article* in the Fall 1989 issue of the journal Health Care Financing Review noted that the area wage index is a biased measurement, and is not achieving the goal it was established to achieve -- that is, compensating hospitals accurately for the wages paid to employees. This article indicated that the payment bias against rural hospital induced by the wage index is, on average, 2.5 percent to 4 percent. When these national averages are disaggregated, wage index payment biases between selected rural and urban areas are as high as 10 percent.

-- What can be done to correct this problem, and what is being done?

-- Would ProPAC recommend that retroactive payment adjustments be made to the affected providers?

* "Occupational Adjustment of the Prospective Payment System Wage Index"

A: ProPAC is also concerned about the need to improve the area wage index. Recommendation number 8 in our March 1990 Report addresses the specific issue of the occupational adjustment to the wage index. A preliminary study that we conducted suggests that improvements are necessary. Unfortunately, an occupational mix adjustment to the wage index can not be implemented with currently available data. Therefore, we have recommended that the Secretary collect and evaluate such data.

In keeping with the intentions of Congress, ProPAC's recommendations have been to improve PPS prospectively. We have not recommended retroactive payment adjustments.

3. Wage Index Contributes to PPS Inequities

The most recent budget Reconciliation bill reduced the urban-rural differential in standardized PPS payments to hospitals. However, the standardized amount is only one element of the actual payments hospitals receive -- that amount is multiplied by the wage index and case mix adjustment.

In spite of recent efforts to narrow the differential between urban and rural hospitals, the wage-adjusted standardized amount paid to urban hospitals remains on average over 25% more than the amount paid to rural hospitals for providing the same service.

-- Please provide the subcommittee with the exact national average of the wage-adjusted standardized amount, and the breakdown of wage-adjusted standardized amounts by each MSA and its corresponding state rural area.

-- What should be done to reduce this gap in payments?

A: The Commission has recommended that the differential between the rural and the other urban standardized amounts be eliminated. We have also recommended improvements in the definitions of hospital labor market areas and in the wage index. Such improvements should help to eliminate inappropriate gaps in payment. Since labor costs are higher in some areas of the country than in other areas, differences in payment will remain. These differences are appropriate, however, if they reflect differences in labor costs.

Our estimate of the national average of the wage-adjusted standarized amounts is:

Large Urban - $3,579.69
Other Urban - $3,209.70
Rural - $2,631.59
Rural Redesignated Counties - $2,544.34

The list of wage-adjusted standardized amounts by MSA and by rural areas follows.

Attachment to Question 3
Wage Adjusted Standardized Amounts

Metropolitan Statistical Areas	Wage Index	Wage Adjusted Standarized Amounts
Abilene, TX	0.8833	2991.02
Akron, OH	0.9620	3297.81
Albany, GA	0.7791	2748.23
Albany, Schenectady-Troy, NY	0.8697	2905.73
Albuquerque, NM	0.9949	3237.53
Alexandria, LA	0.8468	2900.34
Allentown-Bethlehem, PA-NJ	0.9873	3180.95
Altoona, PA	0.9513	3096.70
Amarillo, TX	0.9589	3178.85
*Anaheim-Santa Ana, CA	1.2181	3851.80
Anchorage, AK	1.4320	4312.94
Anderson, IN	0.9149	3179.88
Anderson, SC	0.7799	2750.23
Ann Arbor, MI	1.1580	3788.56
Anniston, AL	0.7673	2565.79
Appleton-Oshkosh-Neenah, WI	0.9512	3270.77
Asheville, NC	0.8672	2968.32
Athens, GA	0.7719	2730.25
*Atlanta, GA	0.9293	3154.18
Atlantic City, NJ	0.9849	3175.33
Augusta, GA-SC	0.8777	2994.55
Aurora-Elgin, IL	0.9879	3362.66
Austin, TX	1.0294	3354.00
Bakersfield, CA	1.0878	3510.51
*Baltimore, MD	0.9864	3298.23
Bangor, ME	0.9043	3144.52
Baton Rouge, LA	0.9556	3170.65
Battle Creek, MI	0.9641	3303.07
Beaumont-Port Arthur, TX	0.9457	3146.05
Beaver County, PA	1.0454	3316.92
Bellingham, WA	1.0845	3502.81
Benton Harbor, MI	0.8482	3012.88
*Bergen-Passaic, NJ	1.0484	3356.64
Billings, MT	0.9882	3221.48
Biloxi-Gulfport, MS	0.8031	2651.62
Binghamton, NY	0.9213	3026.49
Birmingham, AL	0.9352	2968.35
Bismarck, ND	0.9270	3178.61
Bloomington, IN	0.9112	3170.62
Bloomington-Normal, IL	0.9656	3306.82
Boise City, ID	1.0168	3290.00
*Boston-Lawrence-Salem-Cowell-Brockton, MA	1.0813	3586.90
Boulder-Longmont, CO	1.0771	3434.47
Bradenton, FL	0.8932	3033.27
Brazoria, TX	0.8767	2974.62

* MSA with greater tnan 1 million people.

Metropolitan Statistical Areas	Wage Index	Wage Adjusted Standarized Amounts
Bremerton, WA	0.9573	3206.27
Bridgeport-Stamford-Norwalk, Danburry, CT	1.1306	3710.11
Brownsville-Harlingen, TX	0.8698	2957.48
Bryan-College Station, TX	0.9740	3216.36
Buffalo, NY	0.9395	3069.08
Burlington, NC	0.7634	2709.01
Burlington, VT	0.9391	3231.50
Canton, OH	0.8903	3118.29
Casper, WY	0.9277	3076.53
Cedar Rapids, IA	0.8910	3089.21
Champaign-Urbana-Rantoul,IL	0.8904	3118.54
Charleston, SC	0.8542	2935.85
Charleston, WV	0.9647	3211.89
*Charlotte-Gastonia-Rock Hill,NC-SC	0.8373	2893.63
Charlottesville VA	0.8845	3011.54
Chattanooga, TN-GA	0.8881	2855.42
Cheyenne, WY	0.8786	2958.89
*Chicago, IL	1.0843	3639.46
Chico, CA	1.0550	3434.04
*Cincinnati, OH-KY-IN	1.0236	3485.99
Clarksville-Hopkinsville, TN-KY	0.7269	2468.93
*Cleveland, OH	1.0765	3619.74
Colorado Springs, CO	1.0256	3311.08
Columbia, MO	1.0378	3453.77
Columbia, SC	0.8444	2911.36
Columbus, GA-AL	0.7347	2637.31
*Columbus, OH	0.9472	3292.82
Corpus Christi, TX	0.8285	2934.00
Cumberland, MD-WV	0.9122	3080.74
*Dallas, TX	1.0143	3349.11
Danville, VA	0.7629	2707.76
Davenport-Rock Island-Moline, IA-IL	0.9446	3254.24
Dayton-Springfield, OH	0.9918	3372.42
Daytona Beach, FL	0.8487	2922.11
Decatur, AL	0.7086	2425.05
Decatur, IL	0.8903	3118.29
*Denver, CO	1.1756	3706.55
Des Moines, IA	0.9711	3288.13
*Detroit, MI	1.0784	3624.54
Dothan, AL	0.7892	2618.30
Dubuque, IA	0.9456	3224.80
Duluth, MN-WI	0.9603	3261.31
Eau Claire, WI	0.8866	3109.02
EL Paso, TX	0.8888	3004.68
Elkhart-Goshen, IN	0.9197	3191.90

* MSA with greater than 1 million people.

Metropolitan Statistical Areas	Wage Index	Wage Adjusted Standarized Amounts
Elmira, NY	0.9134	3008.00
Enid, OK	0.9150	3069.78
Erie, PA	0.9568	3109.57
Eugene-Springfield, OR	1.0199	3352.21
Evansville, IN-KY	1.0302	3468.57
Fargo-Moorhead, ND-MN	1.0040	3369.83
Fayetteville, NC	0.8158	2839.92
Fayetteville-Springdale, AR	0.7383	2630.77
Flint, MI	1.1653	3806.83
Florence, Al	0.7090	2426.01
Florence, SC	0.7704	2726.50
Fort Collins-Loveland, CO	1.0292	3319.71
*Ft. Lauderdale, Hollywood, Pompano Bch., FL	1.0258	3364.53
Fort Myers-Cape Coral, FL	0.9003	3051.01
Fort Pierce, FL	1.0480	3419.99
Fort Smith, AR-OK	0.8748	2969.90
Fort Walton Beach, FL	0.8182	2845.91
Fort Wayne, IN	0.9008	3144.58
*Fort Worth-Arlington, TX	0.9544	3198.82
Fresno, CA	1.1137	3570.89
Gadsden, AL	0.8523	2769.58
Gainesville, FL	0.8728	2982.31
Galveston-Texas City, TX	1.0820	3484.69
Gary-Hammond, IN	1.0493	3516.39
Glens Falls, NY	0.8736	2914.85
Grand Forks, ND	0.9628	3267.51
Grand Rapids, MI	1.0076	3411.98
Great Falls, MT	0.9839	3211.18
Greeley, CO	1.0215	3301.26
Green Bay, WI	0.9662	3308.33
Greensboro-Winston-Salem-High Point, NC	0.8558	2939.84
Greenville-Spartanburg, SC	0.9322	3130.70
Hagerstown, MD	0.8716	2979.31
Hamilton-Middletown, OH	0.9681	3313.08
Harrisburg-Lebanon-Carlisle, PA	1.0515	3331.20
*Hartford-Middletown-New Bristol CT	1.0995	3668.10
Hickory NC	0.8213	2853.66
Honolulu, HI	1.1365	3624.04
Houma-Thibodaux, LA	0.7485	2656.11
*Houston, TX	0.9868	3228.43
Huntington-Ashland, WV-KY-OH	0.9177	3094.48
Huntsville, AL	0.8260	2706.53
*Indianapolis, IN	0.9903	3401.79
Iowa City, IA	1.0951	3596.07
Jackson, MI	0.9283	3213.43

* MSA with greater than 1 million people.

Metropolitan Statistical Areas	Wage Index	Wage Adjusted Standarized Amounts
Jackson, MS	0.8075	2662.17
Jackson, TN	0.7560	2538.70
Jacksonville, FL	0.8920	3030.28
Jacksonville, NC	0.7219	2605.34
Jamestown-Dunkirk, NY	0.7963	2733.94
Janesville-Belot, WI	0.8999	3142.32
Jersey City, NJ	1.0737	3383.15
Johnson City-Kingsport-Bristol, TN-VA	0.8773	2829.52
Johnstown, PA	0.9149	3011.51
Joliet, IL	1.0421	3498.37
Joplin, MO	0.8635	3020.91
Kalamazoo, MI	1.1089	3665.62
Kankakee, IL	0.9024	3148.58
*Kansas City, KS-MO	1.0093	3419.93
Kenosha, WI	1.0527	3524.91
Kileen-Temple, TX	1.1227	3585.81
Knoxville, TN	0.8202	2692.62
Kokomo, IN	0.9410	3245.23
LaCrosse, WI	0.9686	3314.34
Lafayette, LA	0.9003	3033.26
Lafayette, IN	0.8843	3103.27
Lake Charles, LA	0.8900	3007.67
Lake County, IL	1.0854	3606.78
Lakeland-Winter Haven, FL	0.8189	2847.66
Lancaster, PA	0.9943	3197.33
Lansing-East Lansing, MI	1.0360	3483.09
Laredo, TX	0.7360	2625.05
Las Cruces, NM	0.6469	2403.76
Las Vegas, NV	1.1147	3524.56
Lawrence, KS	0.9910	3337.55
Lawton, OK	0.8529	2915.49
Lewiston-Auburn, ME	0.9192	3181.76
Lexington-Fayette, KY	0.9160	2922.31
Lima, OH	0.9178	3187.14
Lincoln, NE	0.9429	3218.10
Little Rock-North Little Rock, AR	0.9240	3092.14
Longview-Marshall, TX	0.8154	2822.32
Lorain-Elyria, OH	0.9362	3233.21
*Los Angeles-Long Beach, CA	1.2413	3906.42
Louisville, KY-IN	0.9547	3015.10
Lubbock, TX	0.9714	3209.90
Lynchburg, VA	0.8496	2924.35
Macon-Warner Robins, GA	0.7803	2751.23
Madison, WI	1.0072	3410.98
Manchester-Nashua, NH	0.9386	3230.25

* MSA with greater than 1 million people.

Metropolitan Statistical Areas	Wage Index	Wage Adjusted Standarized Amounts
Mansfield, OH	0.8896	3116.54
McAllen-Edinburg-Mission, TX	0.7679	2704.31
Medford, OR	0.9653	3224.92
Melbourne-Titusville, FL	0.8694	2973.82
Memphis, TN-AR-MS	0.9412	2982.73
Merced, CA	1.0054	3318.41
*Miami-Hialeah, FL	1.0225	3389.30
Middlesex-Somerset-Hunterdon, NJ	0.9929	3194.05
Midland, TX	1.0511	3407.92
*Milwaukee, WI	1.0132	3459.69
*Minneapolis-St. Paul, MN-WI	1.1345	3735.86
Mobile, AL	0.8234	2700.29
Modesto, CA	1.0699	3468.78
Monmouth-Ocean, NJ	0.9387	3067.21
Monroe, LA	0.8150	2821.33
Montgomery, AL	0.8039	2653.54
Muncie, IN	0.9652	3305.82
Muskegon, MI	0.9904	3368.92
Naples, FL	1.0000	3300.08
Nashville, TN	0.8893	2858.30
*Nassua-Suffolk, NY	1.2107	3740.21
New Bedford-Fall River-Attleboro, MA	0.9479	3253.49
New Haven-Waterbury-Meriden, CT	1.0768	3575.65
New London-Norwich, CT	1.0669	3550.91
*New Orleans, LA	0.9352	3150.65
*New York, NY	1.3183	3994.50
*Newark, NJ	1.0879	3449.99
Niagara Falls, NY	0.8546	2870.39
*Norfolk-Virginia Beach-Newport News, VA	0.9267	3147.62
*Oakland, CA	1.4029	4286.86
Ocala, FL	0.8143	2836.17
Odessa, TX	0.9275	3100.83
Oklahoma City, OK	0.9862	3246.67
Olympia, WA	1.0540	3431.71
Omaha, NE-IA	0.9736	3294.34
Orange County, NY	0.8900	2953.23
Orlando, FL	0.9124	3081.24
Owensboro, KY	0.8951	2872.20
Oxnard-Ventura, CA	1.3901	4215.26
Panama City, FL	0.7900	2775.46
Parkersburg-Marietta, WV-OH	0.9065	3066.50
Pascagoula, MS	0.8749	2823.77
Pensacola, FL	0.8251	2863.15
Peoria, IL	0.9794	3341.38
*Philadelphia, PA-NJ	1.0774	3425.17

* MSA with greater than 1 million people.

Metropolitan Statistical Areas	Wage Index	Wage Adjusted Standarized Amounts
*Phoenix, AZ	1.0016	3285.57
Pine Bluff, AR	0.7991	2781.83
*Pittsburgh, PA	1.0107	3267.54
Pittsfield, MA	1.0241	3443.94
Portland, ME	0.9618	3288.23
*Portland, OR	1.1215	3624.38
Portsmouth-Dover-Rochester, NH	0.9399	3233.50
Poughkeepsie, NY	0.9728	3147.01
*Providence-Pawtucket-Woonsocket, RI	0.9735	3317.47
Provo-Orem, UT	0.9275	3076.05
Pueblo, CO	0.9295	3080.84
Racine, WI	0.9183	3188.39
Raleigh-Durham, NC	0.9395	3148.94
Rapid City, SD	0.8526	2993.85
Reading, PA	0.9118	3004.25
Redding, CA	0.9901	3282.74
Reno, NV	1.1257	3550.91
Richland-Kennewick, WA	0.9720	3240.54
Richmond-Petersburg, VA	0.8864	3016.29
*Riverside-SanBernardino, CA	1.1291	3642.27
Roanoke, VA	0.8224	2856.40
Rochester, MN	1.0539	3493.75
Rochester, NY	0.9490	3091.31
Rockford, IL	0.9806	3344.38
*Sacramento, CA	1.2072	3826.14
Saginaw-Bay City-Midland, MI	1.0769	3585.50
St. Cloud, MN	0.9890	3332.58
St. Joseph, MO	0.8691	3034.82
*St. Louis, MO-IL	1.0126	3428.26
Salem, OR	1.0503	3423.08
Salinas-Seaside-Monterey, CA	1.2582	3907.76
*Salt Lake City-Ogden, UT	0.9271	3105.32
San Angelo, TX	0.8395	796.47
*San Antonio, TX	0.8334	2895.24
*San Diego, CA	1.2359	3893.70
*San Francisco, CA	1.4350	4362.43
*San Jose, CA	1.4702	4445.30
Santa Barbara-Santa Maria-Lompoc, CA	1.1722	3707.27
Santa Cruz, CA	1.2325	3847.85
Santa Fe, NM	0.9488	3127.08
Santa Rosa-Petaluma, CA	1.4191	4282.87
Sarasota, FL	0.9255	3113.97
Savannah, GA	0.8415	2904.12
Scranton-Wilkes Barre, PA	0.9240	3032.80
*Seattle, WA	1.0901	3550.46

* MSA with greater than 1 million people.

Metropolitan Statistical Areas	Wage Index	Wage Adjusted Standarized Amounts
Sharon, PA	0.9209	3025.55
Shaboygan, WI	0.9329	3224.95
Sherman-Denison, TX	0.8911	3010.40
Shreveport, LA	0.8936	3016.61
Sioux City, IA-NE	0.9026	3118.01
Sioux Falls, SD	0.9492	3233.74
South Bend-Mishawaka, IN	0.9712	3320.85
Spokane, WA	1.0764	3483.93
Springfield, IL	1.0040	3402.97
Springfield, MO	0.8866	3078.28
Springfield, MA	1.0040	3393.70
State College, PA	1.0463	3319.03
Steubenville-Weirton, OH-WV	0.9122	3005.19
Stockton, CA	1.1373	3625.91
Syracuse, NY	0.9760	3154.50
Tacoma, WA	1.0247	3363.40
Tallahassee, FL	0.8115	2829.17
*Tampa-St. Petersburg-Clearwater, FL	0.8996	3079.26
Terre Haute, IN	0.8218	2946.78
Texarkana-TX-Texarkana, AR	0.8028	2791.02
Toledo, OH	1.0659	3557.96
Topeka, KS	0.9901	3335.31
Trenton, NJ	1.0310	3283.22
Tucson, AZ	0.9777	3196.32
Tulsa, OK	0.9238	3091.64
Tuscaloosa, AL	0.9423	2985.37
Tyler, TX	0.9239	3091.89
Utica-Rome, NY	0.8101	2766.24
Vallejo-Fairfield-Napa, CA	1.2273	3835.72
Vancouver, WA	1.0570	3438.70
Victoria, TX	0.8249	2845.93
Vineland-Millville-Bridgeton, NJ	0.9808	3165.74
Visalia-Tulare-Porterville, CA	1.2797	3957.88
Waco, TX	0.8588	2930.15
*Washington, DC-MD-VA	1.0827	3541.17
Waterloo-Cedar Falls, IA	0.9456	3224.80
Wasusau, WI	0.9618	3297.31
West Palm Beach-Boca Raton-Delray Beach, FL	0.9472	3168.18
Wheeling, WV-OH	0.8554	2938.84
Wichita, KS	1.0226	3416.02
Wichita Falls, TX	0.8316	2862.57
Williamsport, PA	0.9086	2996.76
Wilmington, DE-NJ-MD	1.0279	3369.78
Wilmington, NC	0.8179	2845.16
Worcester-Fitchburg-Leominster, MA	0.9417	3238.00
Yakima, WA	0.9915	3286.00
York, PA	0.9403	3070.95
Youngstown-Warren, OH	1.0016	3396.96
Yuba City, CA	1.0090	3326.80

* MSA with greater than 1 million people.

Rural Areas (Non-MSAs)	Wage Index	Wage Adjusted Standarized Amounts
Alabama	0.6963	2225.54
Alaska	1.3734	3710.07
Arizona	0.8782	2626.10
Arkansas	0.7071	2127.81
California	1.0137	2934.26
Colorado	0.8554	2575.26
Connecticut	1.0175	3084.65
Delaware	0.8332	2607.73
Florida	0.8147	2563.82
Georgia	0.7446	2397.42
Hawaii	0.8840	2654.52
Idaho	0.8568	2578.39
Illinois	0.7994	2621.68
Indiana	0.8033	2631.06
Iowa	0.7933	2441.57
Kansas	0.7908	2435.86
Kentucky	0.7938	2454.92
Louisiana	0.7584	2240.31
Maine	0.8233	2623.01
Maryland	0.7966	2520.86
Massachusetts	1.0135	3075.14
Michigan	0.9110	2889.93
Minnesota	0.8929	2669.32
Mississippi	0.7176	2275.65
Missouri	0.7461	2333.65
Montana	0.8499	2563.00
Nebraska	0.7680	2383.72
Nevada	0.9473	2780.15
New Hampshire	0.8872	2774.91
New Jersey		
New Mexico	0.8049	2462.68
New York	0.8069	2564.46
North Carolina	0.7639	2443.24
North Dakota	0.8395	2547.21
Ohio	0.8650	2779.36
Oklahoma	0.7908	2311.36
Oregon	0.9908	2884.87
Pennsylvania	0.8760	2727.58
Rhode Island		
South Carolina	0.7192	2337.13
South Dakota	0.7557	2355.60
Tennessee	0.7043	2244.36
Texas	0.7609	2245.79
Utah	0.8613	2588.42
Vermont	0.8400	2662.71
Virginia	0.7868	2497.59
Washington	0.9916	2886.59
West Virginia	0.8499	2647.37
Wisconsin	0.8454	2732.25
Wyoming	0.9025	2680.27

Redesignated Rural Counties	Wage Index	Wage Adjusted Standarized Amounts
Limestone, AL	0.7455	2513.52
Marshall, AL	0.7207	2454.06
Charlotte, FL	0.8311	2878.14
Indian River, FL	0.8613	2953.58
Christian, IL	0.7895	2865.90
Macoupin, IL	0.7592	2790.04
Mason, IL	0.7364	2732.95
Clinton, IN	0.8095	2915.98
Henry, IN	0.8411	2995.10
Jefferson, KS	0.6041	2376.72
Allegan, MI	1.0075	3411.73
Barry, MI	0.8337	2976.57
Cass, MI	0.7956	2881.18
Ionia, MI	0.8386	2988.84
Lenawee, MI	1.0242	3453.55
Shiawassee, MI	1.0236	3452.04
Tuscola, MI	0.9020	3147.58
Van Buren, MI	0.8610	3044.93
Clinton, MO	0.6306	2442.53
Harnett, NC	0.7497	2674.79
Genesee, NY	0.7175	2549.53
Columbiana, OH	0.9089	3164.86
Morrow, OH	0.6742	2577.22
Van Wert, OH	0.8375	2986.09
Lawrence, PA	0.8469	2852.37
Cherokee, SC	0.7244	2611.58
Bedford, VA	0.7261	2615.83
Fredericksburg City, VA	0.8232	2858.40
Jefferson, WI	0.8740	3077.48
Walworth, WI	0.9475	3261.51
Jefferson, WV	0.6886	2522.15

4. Disproportionate Share

Last year, when we discussed the disproportionate share payments to hospitals that treat large numbers of indigent patients, urban hospitals were receiving 96 percent of all disproportionate share payments.

-- What is the current distribution of these payments between urban and rural hospitals?

A: We will be updating the information on the distribution of PPS payments, including disproportionate share payments, in our June 1990 report to Congress. This analysis has not yet been completed. Recent legislative changes will result in an increase in payments to rural hospitals. The great majority of payments, however, will continue to go to urban hospitals.

5. Rural Hospital Extra Vulnerability to Outpatient Cuts

One study of hospital revenue shows that outpatient surgery accounts for about 35 percent of small rural hospitals' revenue while it accounts for only 20 percent of larger urban hospitals' revenues. Given rural hospitals' substantially greater dependence on outpatient revenue, recent across-the-board cuts in outpatient payments hit these hospitals.

-- How do we avoid penalizing rural hospitals that have followed our direction to shift their health care toward outpatient rather than inpatient services?

-- What adjustments can be made, and when?

A: ProPAC, in response to a Congressional request, is currently examining hospital outpatient payment policies. As you know, services furnished in hospital outpatient departments are paid using a variety of methods. We are continuing to examine this topic and will be submitting our reports and recommendations in July of this year and by March 1, 1991. We are specifically looking at payment for services furnished by rural hospitals.

6. Urban-Rural Payment Biases in Outpatient

As Medicare payment for outpatient services shifts from a cost basis to a DRG-like system, there are many reports from rural hospitals that urban-rural biases are reducing their payments substantially. As you know, payment for outpatient services are based on a blend of the hospital's payment and the payment for freestanding ambulatory surgery centers.

Rural hospitals, it is generally acknowledged, have been victimized by unfairly low Medicare payments. And ambulatory surgery centers, with their low overhead costs and competitive markets, are exclusively an urban phenomenon.

-- What is the rationale for basing rural hospitals' outpatient payment rates on these biased payment formulas?

-- Is this an equitable payment system for rural hospitals, or would a different system be more fair?

-- What studies is ProPAC undertaking on outpatient payment rates and their effects on rural hospitals?

A: The changes in payment policy for certain outpatient hospital surgical services were made in OBRA 1986. At that time, ProPAC did not have a Congressional mandate to examine this topic. In OBRA 1987, however, Congress asked ProPAC to submit its views on hospital outpatient surgery and a report was submitted to Congress in April 1987. In that report we showed that both urban and rural hospital OPD payments were reduced for certain surgical procedures. Urban hospitals, however, had greater losses than rural hospitals.

As I noted previously, ProPAC is continuing to study outpatient hospital payment policy and will be reporting our findings and recommendations to you.

7. DRG Weight Recalibration

The overall result of this year's DRG weight recalibration offsets other payment increases by about -1.22 percent. However, it appears that the individual DRGs that have received the largest reductions are the very procedures rural hospitals do the most.

-- Looking just at rural hospitals under 50 beds and between 50 and 100 beds, what is the effect of this weight recalibration on the overall DRG payment increase directed by Congress?

A: The weights of all the DRGs were reduced the same amount. Congress offset this DRG weight reduction with an increase in the standardized amounts. As a result, there should not be an overall effect on any hospital group, urban or rural.

8. Severity of illness or intensity of practice?

Last year we talked about how rural hospitals practice a more "conservative" style of medicine, furnishing less resource-intensive, and therefore less costly care than urban hospitals.

-- If patient outcomes are the same -- and as far as we know, they are -- then shouldn't we be encouraging this kind of cost-effective hospital practice? How can we do this?

-- Is it fair to penalize rural hospitals for their cost-conscious practice rather than putting the burden of proof on urban hospitals with their more costly practice of medicine?

-- What work is underway to distinguish between severity of illness and intensity of practice?

A: The three questions you ask relating to severity of illness and intensity of practice are difficult to answer. First, we do not have detailed information on case mix and severity adjusted outcomes of care. This type of information is particularly important in evaluating the cost and quality of care furnished in rural and urban hospitals, since these hospitals treat a very different mix of cases. I certainly agree with you that we need to encourage more cost-effective hospital practice. PPS uses financial incentives to attempt to do this.

As I noted earlier, ProPAC has recommended eliminating the differences in the urban and rural standardized amounts. As a result, historical differences in hospital costs which could relate to practice patterns will not be recognized through differential payments. That is, urban and rural hospitals will be treated equally as far as their base payments are concerned.

Significant research continues on severity of illness measurement. The severity measurement systems that use attributes and characteristics of the patient rather than of the medical care furnished, will distinguish between severity of illness and intensity of practice. Research on effectiveness of care, which is just beginning, should help to identify current services and practices which do not contribute to effective outcomes. As research in both these areas progresses we will be able to distinguish more clearly between severity of illness and intensity of practice.

9. Rural Hospitals off PPS

Legislation has been discussed in the Senate that would simply remove rural hospitals from PPS. Senator Baucus, who is proposing this idea, has noted that PPS was meant to stimulate competition, but most rural hospitals aren't in competitive markets -- they're the whole health care market in their area.

-- What are your thoughts on removing some or all rural hospitals from the Prospective Payment System?

A: The Congress has asked ProPAC to conduct a study and report on the desirability and feasibility of using a cost-based reimbursement to determine payments for certain rural hospitals. We will be submitting that report to you in the next couple of months.

10. Paperwork Burden

Every hospital administrator seems to agree on one thing -- there is too much paperwork, and the cost and administrative burden seem to be increasing.

-- Has ProPAC undertaken any examination of the crazyquilt of regulations and paperwork now required of hospitals?

-- What can be done to simplify the process or help hospitals get through the maze of regulations.

A: The Commission has been sensitive to the paperwork and administrative burden facing hospitals. We have considered this subject at times as we have developed our recommendations. However, we have not systematically examined the administrative, regulatory and paperwork requirements facing hospitals. I am sorry that I do not have any simple answers to help hospitals with administrative requirements.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

11. Prospective Payment Assessment Commission (ProPAC)

A. **Question:** Dr. Altman, last year during testimony before this Subcommittee, you reported that the Commission was "currently completing the first part of a study of hospital closures." Has the study been completed and what were its major findings?

A: Yes, the first part of the study examined hospitals that closed from 1980 through 1987. The second part of the study analyzed hospitals that closed in 1988 and confirmed that the patterns of closure were the same. In almost all cases, hospital closures occurred at hospitals with fewer than 200 beds. By comparing hospitals that closed with comparable open hospitals, we found that in years prior to closure hospitals that closed had lower occupancy rates, more rapidly declining admissions, longer lengths of stay, higher costs per case, lower PPS margins, and lower total margins.

As part of closures study, we began our analysis of access to care by defining access in terms of expenditures for beneficiary services. We found that hospital closure did have an effect on expenditures. In urban areas where closures occurred, inpatient hospital expenditures per beneficiary were higher than in urban areas with no closures. In rural areas where closures occurred the expenditures were below the level in rural areas with no closures.

B. **Question:** Dr. Altman, your written testimony reports that during the Commission's examination of the overall financial conditions of hospitals in both rural and urban areas you found variations in the financial conditions among hospitals in rural communities. Were these variations significant? What factors appear to contribute to the financial viability of hospitals in rural communities?

- Did you find significant variations in the financial condition of hospitals within urban settings?

A: We have previously reported that both rural and urban hospitals have significant variation in their financial condition. For example, in the fourth year of PPS, 10 percent of urban hospitals had negative margins of 16 percent or worse while 10 percent of rural hospitals had negative margins of 34 percent or worse. On the other hand, 10 percent of urban hospitals also had positive margins of 19.7 percent or better and 10 percent of rural hospitals had positive margin of 16 percent or better.

We are continuing to examine why some hospitals do well and others do poorly under PPS. Certainly the size of the hospital and its occupancy is a consideration.

C. **Question:** Dr. Altman, as you know, Pennsylvania has a number of very fine teaching hospitals. I note that the Commission is recommending reducing the Medicare "indirect teaching adjustment" by 4.5 percent over a five year period. What is the Commission's justification for this proposed reduction?

o Has the Commission examined the total profit margins of teaching hospitals relative to other hospitals? If so, what were its findings?

o Why did the Commission recommend a phased-in reduction over five years? Is the proposal in the President's budget a multi-year phase-in as well?

A: The Commission's proposal to reduce the teaching adjustment is based on two important factors: one is the results from our statistical analysis and the second is from our review of the overall financial performance of teaching hospitals as compared with non-teaching hospitals.

The statistical analysis showed that teaching hospitals costs for Medicare patterns are 3.2 percent higher than the costs for non-teaching hospitals. Right now, teaching hospitals are paid under the assumption that their costs are 7.7 percent higher.

One of the main reasons for the decline in the cost difference is that DRGs are now doing a better job of measuring (reflecting) differences in patient severity between teaching and non-teaching hospitals. Part of the reason that the teaching adjustment was implemented was to compensate teaching hospitals for their more severely ill patient population. Also, the disproportionate share adjustment has helped to offset the cost differences as well.

While a 3.2 percent adjustment is a reasonable target to aim for, the Commission believes it is critically important to continue its analysis of teaching hospitals' costs before recommending any further reductions beyond the recommended decrease to 6.8 percent for fiscal year 1991.

More importantly, the Commission carefully reviewed both PPS and total margins for all hospitals. We found that while major teaching hospitals as a group enjoy higher PPS margins, their total margins were considerably lower than those for non-teaching hospitals and smaller teaching hospitals. This led the Commission to propose a gradual reduction in the adjustment, so as to avoid the financial shock that would undoubtedly occur if the full reduction were implemented in one year. To the best of our knowledge, the President's proposal for reducing the teaching adjustment does not include a plan for phasing-in the reduction.

12. Past Year Budget Information

In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

1) Total Salaries and Expenses

2) Amount of your appropriation that was unused and turned back to the Treasury

3) Equipment-Expenditures

4) Fourth Quarter Expenditures (all items over $3,000)

A: Please see table below.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

	85	86	87	88	89	90
Total Salaries & Expenses	$2,983,000	$3,061,000	$3,165,000	$3,570,000	$3,451,000*	$3,869,000
Appropriations Unused	140,000	60,000	256,000	22,000	44,000	-
Equipment Expenditures	119,000	34,000	8,000	12,000	21,000	20,000
4th Quarter Expenditures						
Administration and Management	424,808	550,900	493,002	512,783	481,519	
Research Contracts**	99,134	92,583	144,403	367,427	508,175	
TOTAL	523,942	643,483	637,405	808,210	989,694	

* An additional $125,000 was transferred to provide start up funding for the Prescription Drug Review Commission.

**ProPAC submits its major reports in March and June of each year. The Commission approves the major research agenda at the April and June meetings. Therefore, a significant amount of the research spending is obligated from July through September. Much of this research is intended to be used in the March and June Reports the next year.

U.S. SOLDIERS' AND AIRMEN'S HOME

STATEMENT OF LT. GEN. GEORGE H. McKEE, GOVERNOR

ACCOMPANIED BY:

COL. ROBERT W. HAMPTON, DIRECTOR, ADMINISTRATION
DR. MIMS C. AULTMAN, DIRECTOR, HEALTH CARE SERVICES
COL. JAMES L. TRAYERS, JR., DIRECTOR, LOGISTICS
ELIZABETH J. WALKER, BUDGET OFFICER

OPENING REMARKS

Senator SPECTER. We will now hear from Lt. Gen. George H. McKee, Governor, Soldiers' and Airmen's Home.

May I ask you gentlemen if you have any special purpose, not that you have to answer any question at all. It is an open hearing room. Do you expect to testify?

General McKEE. We get a lot of oversight at the home, and we have a DOD inspector general overlooking us. These two gentlemen are from DOD inspector general to provide oversight to the operation.

Senator SPECTER. General, they may be overseeing the Senate instead of you. What do you think of that? [Laughter.]

This reminds me, for a 20-second digression, of a speech I made with a long list of speakers one evening. I was not called on until about midnight. Only one person was left, and I started my speech by thanking him for staying. He said do not thank me, I am the next speaker. [Laughter.]

General, you may proceed. I should have made that comment earlier in the day when more people could have heard it.

General McKEE. On behalf of our distinguished veterans of the U.S. Soldiers' and Airmen's Home, I want to thank you for the opportunity to appear before you again this year to present our fiscal year 1991 budget requirements.

INTRODUCTION OF ASSOCIATES

On my far left I have Col. Jim Trayers, Director of Logistics, who is my chief engineer for the home. On my left is Dr. Mims Aultman, head of the medical facility at the home. On my right is Colonel Hampton, who is the Secretary-Treasurer of our home. Ms. Walker is our Budget Officer.

Mr. Chairman, it has been a privilege to appear before this subcommittee for the past 11 years. This is my 12th appearance before the subcommittee. Since this will be my last hearing with you, I want to take just a moment to express my heartfelt thanks for the subcommittee's strong support during these years in improving the home's standards of living and care for our membership there.

Without your help, most of our real progress we have accomplished in our restoration program would not have been possible.

Though we have been obliged to suppress and defer operations and maintenance activities for the past 3 years due to Government-wide deficit reduction targets, our situation would surely have been worse without your support and desire to meet at least our basic needs.

Mr. Chairman, I will leave the Governorship of the home this July with the confidence that you and your committee will provide the new Governor the continued backing you have afforded in the past. In that way, over the next few years the result will surely be a source of great pride for all concerned, a fine national institution which our distinguished veterans of career Army and Air Force service are truly proud to call home.

FISCAL YEAR 1991 BUDGET REQUEST

Mr. Chairman, our operation and maintenance budget for fiscal year 1991 is $38,249,000. That is $496,000 less than we had last year or $6 million less than the Secretary of the Army approved when we forwarded it to OMB. Capital outlay account is $9,750,000 for this year as reflected in the budget versus $13,405,000 that we had requested earlier based on our requirements but it was reduced when it was reviewed by OMB.

GROUNDBREAKING CEREMONY—MEDICAL FACILITY

Sir, that completes the statement I have other than a special invitation to you and the subcommittee Members. On Friday we are having a groundbreaking ceremony for a new 200-bed medical facility there at the home, and I say without question that if it was not for this subcommittee we would not be having that event out there this coming Friday.

PREPARED STATEMENT

So from the members and the staff, we want to express our most sincere appreciation to this particular subcommittee for the outstanding support that you have provided to us there at the home.

[The statement follows:]

Statement of Lt. Gen. George H. McKee

In this context, I would like to summarize the status of our principal capital outlay projects. I'm very pleased to report that a ground-breaking ceremony for construction of our new 200-bed health care building is to take place the day after tomorrow, March 2nd—and construction is expected to start in mid-March. As you are aware, this long-needed project had become controversial, and the subject of a lengthy series of studies and challenges. Mr. Chairman, we at the Home are deeply grateful to you and this subcommittee for your unhesitating and firm backing for this fine new facility. Without your determined support, this project would not have been possible.

The major renovation of our central Scott Dormitory, a two-year project to install central air-conditioning and much more comfortable, modern living accommodations, is completed except only for the final touches. This big-room dormitory now offers cool comfort in our hot, humid summers—larger private rooms with expanded closets, and the Home's first private baths for members—plus new double-pane windows throughout for greater comfort and energy conservation.

Every dormitory member and every health care patient now resides in an air-conditioned room.

Many lesser capital improvements have been achieved over the past few years, and several major undertakings besides the new construction are continuing in fiscal year 1990 or will be started this year. The ongoing projects include upgrading of our entire electrical distribution system, correction of asbestos deficiencies, installation of a central fire alarm system and repair of our steam heating and hot water distribution network. New projects scheduled to start in fiscal year 1990 include the repair of the big slate roof on Grant Dormitory; construction of a loading dock and slurry building for the central kitchen; replacement of the Scott Dormitory's outdoor patio; construction of a handicap access ramp for our patients, and renovation of our King Health Center elevators.

Our capital outlay request for fiscal year 1991 is $9,750,000. It includes:

—$820,000 for renovation of Stanley and Rose Chapels;

—$2 million to furnish and equip the new health care building. This is $900,000 less than originally requested;

—$435,000 for repairs of one segment of our underground utility tunnel system;

—$470,000 for rehabilitation of paved surfaces projects. $280,000 of our original request has been deferred;

—$3.65 million for construction of bowling alley and fitness center; and

—$2.375 million for study and design of central air-conditioning and renovation of our Grant Dormitory with private baths and additional capacity. $225,000 of our original request for this study has been deferred.

OPERATIONS AND MAINTENANCE

The Home's Operations and Maintenance budget request for $38,249,000 is $496,000 less than our fiscal year 1990 appropriation—but is about $6,000,000 less than our operational needs. While I fully support efforts by Congress and the Administration to reduce the federal deficit, I also feel we should make our concerns known to the Subcommittee.

Right now in fiscal year 1990, we are finding it necessary to maintain an employment level of around 975—well below our authorized strength of 1,037—in order to finance our essential non-salary needs. This can only mean that, without relief in fiscal year 1991, we will have no choice but to continue suppressing our workforce level even lower—continue to defer much needed painting, paving, and equipment replacements and maintain supply shelf stock at unacceptably low levels.

The O&M request before you, after we finance salaries and benefits fully, leaves a shortfall in excess of $2,000,000 in our supply accounts alone. In addition, without relief, we will have no funds to purchase even the smallest amount of needed equipment. And, once again in fiscal year 1991, we will be forced to defer much of what should be "routine" repairs and maintenance. Such deferrals have been ongoing over the past three years, and if allowed to continue, will certainly result in more costly repairs and replacements in the future. These deferrals are becoming more and more evident as one tours the grounds and notes badly flaking paint, worn and obsolete equipment, and gradual deterioration.

Last year when we appeared before this Subcommittee, I pointed out that after funding the Home's employment, we had less left for fiscal year 1990 non-salary O&M accounts than we had actually obligated seven years earlier, in fiscal year 1983. This picture has worsened, in fiscal year 1991. The sum contained in our fiscal year 1991 budget request for non-salary operations is nearly $2,000,000 less than fiscal year 1983—a decline of almost 22 percent—and these numbers have not been adjusted for inflation. Taking inflation into consideration our fiscal year 1991 dollars will purchase only 75 percent or less of what a 1983 dollar purchases. One can begin to recognize the serious constraints we are facing at the Home.

Considering that the Home continues striving to provide a decent residence and adequate care for our distinguished veterans—and has a trust fund quite capable of supporting our operational and capital needs, without any reliance on the general revenues or the taxpayers of America—I must tell you it mystifies all who learn of it why we must confront this predicament, year after year. Perhaps one day, legislation will be enacted to correct it.

OUTSTANDING CONTRIBUTION

Senator SPECTER. Thank you, General McKee. Let us see if it is possible for some of us to join you. We would reciprocate by congratulating you on your outstanding contribution. We understand you are retiring in July. You have served in this position for some

12 years since your appointment by President Carter in 1978, and you have an outstanding reputation as an ardent supporter of the home. You have been instrumental in bringing about many changes and improvements during your tenure.

Now on to the hard questions. I do not think we have any hard questions, General, so I will ask them anyway.

MEDICAL FACILITY

Last year the Office of Management and Budget asked that the Department of Health and Human Services conduct a study on the need for a 200-bed intermediate care facility at the home. The findings of that study indicate that the facility is warranted. To date, how much has been appropriated for the intermediate care facility, and are these funds sufficient to complete the facility as originally designed?

General McKee. Approximately a total of $31.5 million has been appropriated for the project; $15 million was appropriated in 1988 and $14.8 million in 1989. Then we asked for reprogramming approval for another $1.6 million so that we could go ahead and effect the contract with the contractor who is constructing the facility.

The amount of dollars is insufficient. We did not have enough funds available for us to include for the construction of the chapel which was to be included as part of that project as well as a parking lot which is very much needed. Hopefully we will be able to get those funds so that we can provide for those two projects.

ORIGINAL BUDGET REQUESTS

Senator Specter. The budget request for the home is $38,249,000 for operation and maintenance and $9.75 million for capital outlay. What was your original request to OMB?

General McKee. The original request to OMB was approximately $44 million for the O&M budget and around $13.4 million for the capital outlay account.

Senator Specter. What projects did OMB then eliminate from your request?

CAPITAL OUTLAY PROJECTS

General McKee. We had to reduce some of our projects back. For example, we need about $2.9 million to completely furnish and equip the new medical facility. We had to reduce $900,000 off of that project.

We had to reduce some other projects by $280,000 in one case, and $225,000 in another, in order that we could go ahead with the studies and the contracts for those to keep our progress moving. Still others had to be totally deferred.

Senator Specter. The time is now 4 p.m., so I am going to conclude with the statement that we will submit some additional questions to you for the record, General.

Is there anything you would care to add as a final statement to this subcommittee?

General McKee. Once again, Mr. Chairman, I want to thank the subcommittee. I would like to thank your predecessors starting with Senator Weicker, Senator Chiles, and your current chairman of the subcommittee, yourself and Senator Rudman who is also on the subcommittee, as being strong supporters of the home, and certainly the staff because if it had not been for the staff we would have been in deep yogurt out there.

Senator **Specter**. We appreciate your outstanding contribution, General, and we wish you the very, very best. We thank your associates for coming today.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

There will be some additional questions from various Senators which we will submit to you for your response.

[The following questions were not asked at the hearing, but were submitted to the home for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

INDEPENDENT LIVING AT USSAH

A Health Care Assessment of the USSAH was conducted recently by Lewin/ICF. Their report included several recommendations I'd like to discuss with you. First, the health care assessment recommended that a substantial effort should be made to continue to reorient the focus of the USSAH to maximize members' ability to remain in independent and assisted living settings as long as possible, including expanding the community health nursing program, making sure new construction is "barrier free" and does not limit access of persons with physical limitations. What is being done at the Home in response to these recommendations?

Gen. McKee: Independent and assisted independent living concepts were implemented before the Lewin/ICF study and continue to be expanded upon. Our enlarged community health activities and our construction plans for the new health care building are all barrier-free. The Home will ensure that any future construction will be planned to be within the barrier-free meaning. The Home believes that members can be served most effectively by grouping those who need closer observation and care, while maintaining only the minimal necessary assistance to preserve each member's independence and keep staffing down. Within the Home's resource limitations, we will support our community outreach program so that everything possible is done to reduce social isolation of dormitory residents. Before assisted independent living can be expanded into dormitories other than the recently renovated Scott, they too must be modernized to provide the capability to support such a program fully.

SOCIAL ISOLATION OF RESIDENTS

The Lewin Report noted that many residents of dormitories at the Home feel isolated from their friends. They would like to have common rooms for social activities. The assessment study recommended developing programs to reduce the social isolation of dormitory residents. Are renovation plans underway to provide public areas?

Gen. McKee: The study report referred primarily to those members living in Scott Dormitory and King Health Center who require special assistance. Within Scott are lounges and social areas, a chapel, library, vending areas, coffee rooms, theater, card and puzzle rooms, and a barber shop. In other buildings are craft shops, cafeteria and vending areas, retail store, exercise rooms, bowling lanes, and TV areas. Our renovation plans do call for improvements and expansions of such facilities, including a fitness center and bowling alley.

What programs and activities are offered now or are being developed to provide social activities for residents of the Home?

General McKee: In addition to the many dormitory area activities and facilities just discussed, there are similar facilities in the King Health Center. The new facility just beginning construction will contain a mall-type public area with an exchange store, snack bar, barber shop, finance (bank type) windows, a TV center, and public waiting space. On each 50-bed floor there will be two quiet rooms, two activity rooms, and a large dayroom.

TRANSPORTATION SERVICES

What transportation services are now available to members into Washington or nearby areas, or to shopping, movies, or other activities?

Gen. McKee: Adequate public and Home transportation services are available for dormitory residents and patient residents. We schedule and provide regular weekly shopping trips, a wide variety of entertainment trips, and long-distance overnight trips as an important element of our mission. Additionally, shuttle bus service is provided which serves all facilities on Home grounds and goes to Walter Reed Army Medical Center. The Home has its own movie theaters, one in Scott Dormitory and one in the Pipes medical building, where daily programs are scheduled. The Home cable television system includes a Home channel which shows movies daily. In its comments, the Lewin/ICF study addressed only a relatively small portion of the membership -- the most aged, infirm, and those with complicating medical problems.

HEALTH CENTER

According to the Lewin health care assessment of the Home, current planning for the Home assumes approximately 600 beds in the King Health Center and about 2,000 in the dormitory areas. The plan for the 600 King Health Center beds was based on the original plan for a total on-site population of about 3,600 members. Yet there are only about 2,000 members at the Home, in both dormitories and health care facilities. What is the continuing rationale for 600 King Health Center beds?

Gen. McKee: Current planning at the King Health Center is for replacement facilities of 400 beds. There are no plans for 600 beds at present. We believe the planning for approximately 400 beds in replacement facilities is sound. Based on a population capacity of the Home of approximately 2,200, this is near our experience data of one health care bed required for every five members. The number is also within the range of beds recommended by the Lewin assessment.

EMPLOYMENT

The employment at the Home has been declining over the past five years. From a high of 1,015 staff in 1988 down to 950 requested this year. This is a 6% drop. What is the present employment level at the Home?

Gen. McKee: Mr. Chairman, this has been a managed decline imposed by necessity because our Operations and Maintenance appropriations have been increasingly inadequate to meet basic annual needs and absorb the costs of federal pay and benefit increases. As of 27 February 1990, our cumulative FTE average for FY 90 was 974. For 1991 we've requested our full authorized strength of 1,037; however, without O&M appropriations relief, we will be unable to support more than 950 in order to provide funds for essential subsistence, operational and medical contracts, electricity, fuel oil, and communications to continue operating the Home -- even though the Home's trust fund is quite sufficient and capable of supporting these serious appropriation requirements.

What impact has this decrease in employment had on the day-to-day operation of the Home?

Gen. McKee: Thus far, we've been able to avoid layoffs, RIF's, and employee furloughs through careful, continuous management of hire lags and very selective filling of critical vacancies. Frankly, we are struggling to maintain most of the direct services to our members, but by necessity at less than optimal levels. It has been necessary for several years to suppress our employment level and reduce spending in other areas in order to finance essential non-salary expenses. Even with the employment suppression, we do not this year and will not next year have the necessary funds to purchase equipment items, contractual maintenance such as painting which is badly needed both inside and outside of many of our buildings, or to purchase supplies for in-house crews to perform what should be routine day-to-day and preventive maintenance.

LOSS OF USSAH PROPERTY

Your statement notes that of the Home's 500 acres just north of Capitol Hill, some 200 acres have been "lost to other activities." Please explain what this means -- have these lands been sold? If so, to whom, and why? What has been done with the proceeds of land sales?

Gen. McKee: Mr. Chairman, this refers to what is now a chapter of the Home's past history. Nearly all of the Home's lands, totalling some 500 acres in those days, were purchased during 1851 to 1888 by our Board of Commissioners. This was done without using any taxpayers' money or the general revenues of the Treasury, but rather the income provided to the Home for the past 140 years -- the contributions from soldiers' monthly pay, the proceeds of military punishment fines and forfeitures, and the like, designated by Congress to support our institution.

By the mid-1930's the Home's trust fund and budgets had become subject not only to annual appropriations by Congress, but also to the controls and oversight of the Bureau of the Budget, the predecessor of today's Office of Management and Budget. Starting in 1946, that Bureau began a series of actions adverse to the Home's future existence, its trust fund, and its unique system of income support. By 1949-1950, these pressures became so intense that the Army and the Board of Commissioners were obliged to dispose of several parcels of land, totalling some 200 acres to which you refer.

To summarize what appears to have happened, roughly 47 acres went to Washington Hospital Center; about 42 acres went to the Veterans Administration for its hospital here; some 24 acres eventually went to Trinity College for campus expansion, after the VA decided it didn't need them; 5-1/2 acres went to the Shrine of the Immaculate Conception for a parking lot; and the remainder, in parcels over a period of years, to the District of Columbia for various purposes including rights-of-way for North Capitol Street and Irving Street, their traffic interchange cloverleaf, and other highway and parking purposes.

Army and Home records available to us today tell us that the Home received no reimbursement for lands that were transferred to the District of Columbia, but a total of approximately $2.1 million was paid, in installments over a number of years, for those other parcels I have outlined. Our records show that all such payments were deposited in the Home's trust fund in the Treasury Department, in accordance with law.

Since the 1960's, a number of attempts to take portions of our grounds have been made by private, District of Columbia, and even Federal interests. Thanks largely to the protections afforded to us by the Congress, none of these attempts have been successful. The membership of the Home and I are very grateful for the steadfast support the Congress has given us to maintain the Home's acreage.

PAST YEARS BUDGET INFORMATION

In an effort to better understand your agency's budget, please provide the Committee with the following detailed information for each year, FY 1985-1990.

1) Total Salaries and Expenses
2) Amount of your appropriation that was unused and turned back to the Treasury.
3) Equipment-Expenditures
4) Fourth Quarter Expenditures (all items over $3,000)

Gen. McKee: Detailed information on obligations and expenditures for each year, FY 1985-1990, is displayed in the table. A listing of items costing over $3,000 and purchased in the last quarter of those years is also submitted. Although fourth quarter equipment purchases may appear disproportionate to the rest of the year, we have intentionally delayed most equipment purchases. Our budget authority over the past six years has been inadequate to support the Home's operation and maintenance needs. Because of this, we have found it necessary not only to suppress our employment level, but to defer contractual maintenance, equipment purchases, and the like wherever we can in order to have some flexibility in the event of an unfinanced essential requirement or an emergency. Only toward the end of each year, could we have the confidence to reprogram the extra dollars accumulated by these measures and go ahead with equipment purchases and other deferred procurements. This is a poor way to have to manage our institution, and the solution lies in appropriating adequate amounts for O&M each year.

ITEM	AMOUNT
1985:	
Air Compressor	$ 8,235.00
Food Processor	3,394.28
Innerspring Mattresses	3,780.00
Pagewriter Cardiographic	6,898.00
Dental Chair	5,871.30
Air Compressor	9,230.00
Tractor & Parts	8,802.62
Turf Truckster & Accessories	7,465.25

Laundry Hampers	6,777.00
Floor Polisher	4,500.00
Typewriters	3,603.00
Resistive Load Bank & Meter	11,013.00
Diagnostic System	8,920.00
Printronix Printer	7,250.37
Pallet Jack	14,136.62
Lounge Furniture	21,520.19
Copier & Feeder	4,101,04
Air Purifier	3,600.00
Window Air-conditioners	8,476.00
Work Station	3,660.11
Stage Curtains	16,354.00
Copier & Accessories	7,277.70
Computer Equipment	5,100.00
Running Machine	11,970.00
Film Processor Radiographics	11,469.00
Wheelchairs	5,805.60
Steel Skids & Accessories	6,475.48
Arbor Press	3,725.11
Wheel Chocks & Work Benches	3,286.00
Computer Equipment	4,008.00
Food Transport Cart	3,221.84
Auto Supervac	8,427.20
Recliners	3,393.70
Wardrobes & Accessories	43,310.82
Shoe Stitching Machine	6,600.00
Generator, Emergency Scott Building	54,000.00
Equipment for Post Office	3,300.00
Furniture for Scott Theater	33,010.44
Furniture, Scott Building	9,252.62
Lounge Seating & Accessories	9,608.17
Computer Engraving System	11,077.90
Computer Equipment & Software	6,472.43
Wardrobes & Accessories	42,345.92
Computer Equipment	9,534.00
Computer Equipment	9,534.00
Computer Equipment	5,143.00
Computer Equipment	5,143.00
Lounge Furniture & Accessories	5,592.82
Chairs	5,468.00
Electric Beds	16,887.00
Copier & Stand	3,442.00
Computer Equipment	10,286.00
Electric Beds	57,388.00
Wardrobes	19,544.27
Ice Machine	3,150.34
Electric Beds	19,861.78
Total	$631,699.92

1986:

Innerspring Mattresses	$ 8,265.00
Wirdow Air-conditioner	4,070.00
Power Drive Table	3,126.89
Computer Equipment	4,910.65

Ice Dispenser		20,615.00
Mixer with Basket		4,153.60
Exchange Cart		5,756.52
Laundry Hamper		3,700.00
Exophalmometer Gonioscope Phoropter		4,278.50
Fixed Height Bathtub		5,858.20
Patient Lifting Straps		6,777.92
Computer Equipment		5,008.74
Food Cart, Mobile		4,054.00
Tractor & Accessories		11,339.40
Platemaker & Accessories		9,133.70
Gas Oven System		40,786.71
Computer Equipment		189,488.00
Car Phone System for Investigators		3,245.00
Rehabilitation Equipment		5,844.00
Transmitter & Microphone		5,681.00
Ink Developer		5,322.00
Mobile Disk Filing System		3,156.18
Innerspring Mattresses		3,625.00
Toaster		4,128.00
Air-conditioning Units		35,482.00
Computer Equipment		3,182.92
Printronix Printer		7,250.37
Computer Equipment		4,809.36
	Total	$413,048.66

1987:

Ambulance Equipment		6,722.23
Shelving		4,733.37
Coffee Urn		3,154.80
Podiatry Chair		3,380.00
Tonometer & Accessories		5,913.75
Lawn Mower		11,069.00
Shelving Installation		4,952.30
Walkie Talkie System for Security Force		24,399.02
Copier		6,973.75
Pot Washer		20,870.70
Copier & Accessories		10,395.00
Microwave Oven & Stand		15,187.00
Computer Equipment		116,491.00
Laundry Hampers		3,968.00
Colonofiberscope		12,387.00
Dental Equipment		4,163.50
Air-conditioning Unit		3,255.00
Storage Cabinet Hot/Cold		15,024.00
Steel Scaffolding		8,611.02
	Total	$281,650.44

1988:

Power Saw	3,775.00
Wardrobes	22,324.00
Copier	7,718.00

Mower 72 Trimmer	8,383.00
Lawn Mowers	3,531.00
Coffee Urns	5,607.00
Wheelchairs	12,228.00
Platform Trucks	5,271.00
Conveyer	7,180.00
Diskette Drive	11,676.20
Coffee Urns	5,603.00
Exhaust Analyzer	3,517.00
Recliner	6,142.25
Ambulance Equipment	6,722.23
Laundry Hampers	4,450.00
Refrigerator Milkbox	3,344.00
Typewriters	3,650.00
Chair Bracket & Accessories	6,867.85
Lens Analyzer	6,400.00
Laundry Presses	9,100.00
Dining Tables	12,250.00
Dining Tables	5,956.00
Security Vehicles	27,536.00
20 Passenger Bus	31,000.00
Laundry Folder	10,985.00
Portable Welder	6,627.69
Copier	5,349.06
Refrigerator	8,822.25
Calibration, Gas	3,517.00
Workstation	21,120.00
Kodak Starter Reader	5,372.00
Copier	8,441.00
Computer Workstations	25,319.00
Drapes for Day Rooms	10,110.00
Total	$325,894.53

1989:

Laser Printer	3,500.00
VS-5000 Equipment	30,745.00
Computer Parts & Equipment	5,000.00
Computer Software	9,665.00
Chair Bracket & Accessories	6,867.85
Bindery Stitcher	4,219.00
Drapes & Accessories	3,383.32
Washer Extractor	58,373.00
Copier	10,757.00
Refrigerator	3,794.50
Sprayer	6,927.00
Bobcat Loader	33,811.50
Hygiene Chair with Lift	4,412.94
Wardrobes	22,324.00
Computer Parts & Equipment	9,632.00
Ovens	9,618.60
Mattresses	3,900.00
Furniture	50,946.39
Furniture, Drapes & Blinds	9,029.83
Computer Peripherals & Software	6,144.00
Microphone System	3,561.71

Offset Duplicator	19,430.40
Copier	6,648.50
Laundry Hamper	4,200.00
Presser	9,541.00
Water Cooler	16,878.00
Sedan for Funeral Support	14,639.00
Truck, Stake Body	16,000.00
Condensing Unit	33,000.00
Hospital Beds	3,380.00
Linen Carts	3,750.00
Medical Equipment	3,870.00
Bulletin Boards	3,463.20
Water Coolers	3,285.90
Total	$434,698.64

UNITED STATES SOLDIERS' AND AIRMEN'S HOME
OBLIGATIONS AND EXPENDITURES, FY 1985-1990

	1985	1986	1987	1988	1989	1990 (Est)
Salaries and Benefits	$23,063,000	$23,779,000	$25,385,000	$26,792,000	$27,767,000	*$30,427,000
Communications, Utilities	1,240,000	1,169,000	1,156,000	1,139,000	1,060,000	1,050,000
Printing and Reproduction	24,000	25,000	29,000	24,000	32,000	35,000
Contracts and Other Services	2,298,000	2,304,000	2,716,000	2,436,000	2,646,000	2,800,000
Transportation and Travel	11,000	9,000	19,000	9,000	5,000	3,000
Supplies and Materials	5,115,000	5,106,000	5,050,000	4,944,000	4,978,000	4,425,000
Claims	5,000	6,000	0	4,000	3,000	5,000
Equipment	1,516,000	776,000	558,000	528,000	755,000	0
Recision	0	0	0	2,000	0	0
Turned Back to Treasury	4,000	22,000	66,000	1,000	2,000	-
Total Appropriation	$33,276,000	$33,196,000	$34,979,000	$35,879,000	$37,248,000	$38,745,000

* Based on full employment

SUBCOMMITTEE RECESS

Senator **Specter**. The subcommittee will stand in recess until 9:30 a.m., Tuesday, March 20, when we will meet in SD-138 to begin our public witness hearings on the budget request.

[Whereupon, at 4 p.m., Wednesday, February 28, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, March 20.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

	Page
Alexis, Carlton P., president, Howard University, Department of Education	251
Biographical sketch	254
Prepared statement	252
Altman, Stuart H., Chairman, Prospective Payment Assessment Commission	865
Biographical sketch	873
Prepared statement	867
Aultman, Mims C., Director, Health Care Services, U.S. Soldiers' and Airmen's Home	893
Backley, Richard V., former Chairman and member, Federal Mine Safety and Health Review Commission	627
Baker, Richard, Executive Director, Federal Mine Safety and Health Review Commission	627
Prepared statement	628
Baker, Robert P., Acting Director, Federal Mediation and Conciliation Service	533
Biographical sketch	537
Prepared statement	534
Boehne, Ken, Chief Executive Officer, Railroad Retirement Board	561
Bonner, Daniel, Acting Assistant Secretary for Elementary and Secondary Education, Department of Education	305
Brand, Betsy, Assistant Secretary for Vocational and Adult Education, Department of Education	396
Briggs, Ethel D., Acting Executive Director, National Council on Disability	511
Burdick, Hon. Quentin N., U.S. Senator from North Dakota, questions submitted by	240
Byrd, Hon. Robert C., U.S. Senator from West Virginia, questions submitted by	121
Byrnes, Maureen, Executive Director, National Commission on Acquired Immune Deficiency Syndrome	827
Carney, Bernice, Director of Administration, U.S. Institute of Peace	797
Castle, William E., Director, National Technical Institute for the Deaf, Department of Education	262
Biographical sketch	267
Prepared statement	263
Cavazos, Lauro F., Secretary of Education, Department of Education	163
Biographical sketch	175
Prepared statement	170
Chamberlain, Charles J., labor member, Railroad Retirement Board	561
Prepared statement	563
Christensen, Sally H., Director, Budget Services, Office of Planning, Budget and Evaluation, Department of Education	163, 305, 393
Cleary, Patrick J., board member, National Mediation Board	547
Prepared statement	549
Crawford, John D., management member, Railroad Retirement Board	561
Cross, Christopher, Assistant Secretary for Educational Research and Improvement, Department of Education	393
Darden, Harding, Jr., Budget Officer, National Labor Relations Board	637
Davila, Robert, Assistant Secretary for Special Education and Rehabilitative Services, Department of Education	305
DeMarco, Frederick, Vice President, Station Relations and Treasurer, Corporation for Public Broadcasting	701

Page
DeSio, Joseph E., Associate General Counsel, National Labor Relations Board ... 637
Dole, Elizabeth H., Secretary of Labor, Department of Labor ... 1
  Prepared statement ... 8
Doyle, William J. III, Inspector General, Railroad Retirement Board, prepared statement ... 608
Durkin, Mary P., Budget Officer, Federal Mediation and Conciliation Service ... 533

Esquivel, Rita, Director, Office of Bilingual Education and Minority Languages Affairs, Department of Education ... 305

Ferrara, L. Joseph, Esq., General Counsel, Federal Mine Safety and Health Review Commission ... 627
Ford, Ford B., Chairman, Federal Mine Safety and Health Review Commission ... 627
Frye, D. Randall, Associate General Counsel, National Labor Relations Board ... 637

German, E. Jerry, Office of Executive Director and Management, Department of Labor ... 143

Hampton, Col. Robert W., Director, Administration, U.S. Soldiers' and Airmen's Home ... 893
Haynes, Leonard, Assistant Secretary for Postsecondary Education, Department of Education ... 393
Hemphill, Barry, Director of Data Processing, Railroad Retirement Board ... 561
Hoss, Larry A., Director of Administrative Services, Occupational Safety and Health Review Commission ... 665
Hunter, Jerry M., Esq., General Counsel, National Labor Relations Board ... 637
  Prepared statement ... 644

Inouye, Hon. Daniel K., U.S. Senator from Hawaii, questions submitted by ... 128, 240

Javits, Joshua M., Chairman, National Mediation Board ... 547
Jones, Robert T., Assistant Secretary for Employment and Training, Department of Labor ... 1
Jordan, I. King, president, Gallaudet University, Department of Education ... 256
  Biographical sketch ... 261
  Prepared statement ... 258

Kenny, Jane A., Director, ACTION ... 481
Kolb, Charles E.M., Deputy Under Secretary for Planning, Budget and Evaluation, Department of Education ... 163, 305, 393
  Prepared statement ... 308, 397
Komarek, Thomas C., Assistant Secretary for Administration and Management, Department of Labor ... 1
Kowalczyk, Gary, ACTION ... 481

Laine, Mitchell L., Assistant Inspector General for Audit, Department of Education ... 467
Larson, Peter, Chief Financial Officer, Railroad Retirement Board ... 561
Lautenberg, Hon. Frank R., U.S. Senator from New Jersey, questions submitted by ... 137
Ledwig, Donald E., President and Chief Executive Officer, Corporation for Public Broadcasting ... 701
  Prepared statement ... 705
Lee, Philip R., Chairman, Physician Payment Review Commission ... 683
  Biographical sketch ... 689
  Prepared statement ... 684
LeRoy, Lauren, Deputy Director, Physician Payment Review Commission ... 683
Lewis, Samuel W., President, U.S. Institute of Peace ... 797
  Prepared statement ... 799

Maria, Raymond, Acting Inspector General, Department of Labor ... 143
  Prepared statement ... 145
Martin, Susan K., Executive Director, National Commission on Libraries and Information Science ... 743
McKee, Lt. Gen. George H., Governor, U.S. Soldiers' and Airmen's Home ... 893

Page

  - Prepared statement 894
- McMullen, James E., Director, Office of Budget, Department of Labor 1, 143
- Moore, Joseph E., Deputy Executive Secretary, National Labor Relations Board 637

- Nelson, Charles, Executive Vice President, U.S. Institute of Peace 797
- Newman, Jerald C., Chairman, National Commission on Libraries and Information Science 743
  - Biographical sketch 765
  - Prepared statement 748

- Ohman, Earl R., Jr., General Counsel, Occupational Safety and Health Review Commission 665
  - Prepared statement 665
- Osborn, June E., Chairman, National Commission on Acquired Immune Deficiency Syndrome 827
  - Biographical sketch 846
  - Prepared statement 829

- Parrino, Sandra S., Chairperson, National Council on Disability 511
  - Biographical sketch 523
  - Prepared statement 515
- Peterson, Gerald W., Assistant Inspector General, Office of Audits, Department of Labor 143

- Reid, Charles E., Chairman designate, National Commission on Libraries and Information Science 743
- Reszetar, Mary Alice Hedge, Associate Executive Director, National Commission on Libraries and Information Science 743
- Rudman, Hon. Warren B., U.S. Senator from New Hampshire, questions submitted by 245
- Russell, Ernest, Director of Administration, National Labor Relations Board 637

- Sekerak, Charles R., Assistant Inspector General, Railroad Retirement Board 607
- Specter, Hon. Arlen, U.S. Senator from Pennsylvania, questions submitted by 132, 460, 508, 737, 822, 860, 889
- Stephens, James M., Chairman, National Labor Relations Board 637
  - Prepared statement 639
- Strong, Thomas, Deputy Assistant Inspector General for Investigations, Department of Education 467
  - Biographical sketch 473
  - Prepared statement 470

- Tenney, Paul A., Chief Administrative Law Judge, Occupational Safety and Health Review Commission 665
- Thomas, James B., Jr., Inspector General, Department of Education 467
- Tinsley, Tuck III, president, American Printing House for the Blind, Department of Education 268
  - Biographical sketch 271
  - Prepared statement 269
- Trayers, Col. James L., Jr., Director, Logistics, U.S. Soldiers' and Airmen's Home 893

- Vincent, Lee D., Comptroller, National Labor Relations Board 637

- Walker, Elizabeth J., Budget Officer, U.S. Soldiers' and Airmen's Home 893
- Weiss, Paul T., ACTION 481
- Welles, Melvin J., Chief Administrative Law Judge, National Labor Relations Board 637

- Young, Donald A., Executive Director, Prospective Payment Assessment Commission 865

SUBJECT INDEX

ACTION

Page

- Budget request 482
- Literacy Corps 482 493
- Office of the Inspector General 483
- Program administration 483
- Programs:
  - Older American Volunteer 483 491
  - Special Volunteer 483
  - Students Community Service 483
- Questions submitted by the subcommittee 496
- Stipend increase 494
- Volunteers in Service to America 482

CORPORATION FOR PUBLIC BROADCASTING

- Closed captioning 702
- Education:
  - Drug 719, 720
    - Problem 719
  - Vast achievements in 703
- Introduction of associates 701
- Prison video programs 720
- Prisoner education efforts 720
- Public broadcasting 702, 721
- Questions submitted by the subcommittee 723
- Satellite interconnection system 703

DEPARTMENT OF EDUCATION

Office of Educational Research and Improvement

Office of Postsecondary Education

Office of Vocational and Adult Education

- Adult education, numbers served 428
- Availability of resources 436
- Bookmobiles, funding for 423
- Expanding Pell grants 425
- Gross national product, adjustment for 434
- International comparisons of education funding 430
- Library:
  - Construction 422
  - Cut in funding 421
  - Services 423
- Literacy 427
- Methodology of EPI study 432
- Part-time student eligibility 426
- Principal training 419
- Priority on research 419
- Questions submitted by the subcommittee 438
- Relationship of GNP to level of education 431
- Relevance of EPI findings 435

Page

- School:
  - Size 437
  - System 436
- School enrollment, adjustment for 433
- Statistics, increases for 420
- Student aid, expanding courses to receive more 424
- Student loans, fraud and abuse in 424
- Vocational education 428
  - Request 429
  - Tools 429

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGE AFFAIRS

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

- Counselors 330
  - Cost per 200 students 330
- Drug prevention:
  - Education, appropriate age for 331
  - Programs 328
- Education:
  - Bilingual 307
    - Proposed increase for 334
    - Students—mastering English 334
  - Compensatory 306
  - Handicapped, for the 307
    - Funding for 335
- Eisenhower Math and Science Education Program 324
- English-as-a-second language 333
- Grants:
  - For infants and families, primary purpose 337
  - For infants and families request 337
  - To States, Federal share of excess costs for 336
  - To States and preschool grant requests 336
- Handicapped dropout rates 339
- Head Start and chapter 1, proposed increases for 332
- Home learning environment 330
- Impact aid 307
- Math and science:
  - Education 324, 326
    - Coordination 332
  - Programs, coordination of 331
- Mentoring programs 329
- Program:
  - Outreach, for low-achieving deaf adults 338
  - School Improvement 306
  - Smoother Sailing Drug Prevention 327
- Questions submitted by the subcommittee 341

OFFICE OF INSPECTOR GENERAL

- Budget request 467
- Fiscal year 1989 accomplishments 468
- Introduction of associates 467
- Postsecondary course length 475
- Questions submitted by the subcommittee 476
- Student financial aid programs 468, 474
- State per-pupil expenditure data 474

SECRETARY OF EDUCATION

- Ability-to-benefit, tightening provisions 201
- Adult:
  - Illiteracy 206
  - Literacy 168, 193
- Advocating more dollars for education 190

Page
American business involvement in education ... 208
Audit findings based on remedial nature of studies ... 197
Basic literacy/job skills needed by high school graduation ... 193
Basic skills and literacy programs ... 193
Budget request, 1991 ... 166
Chapter 1:
  Budget increase ... 182, 183
  Participants ... 182
Community College of Philadelphia ... 197
Default:
  Institutional management plans ... 200
  Reduction legislative proposals ... 200
  Reduction, shared responsibility for ... 202
  Wage garnishment and IRS offset ... 201, 202
Defaulted loans, collections of ... 203
Dropout:
  Funds, request to OMB ... 182
  Prevention, Federal programs supporting ... 183
  Prevention initiative ... 180
  Rate ... 180
    Reducing the ... 167
Drug:
  Abuse prevention ... 168
  Prevention: supply and demand sides ... 191
Early childhood education ... 208
Education: ...
  Funding over the past decade, total ... 179
  Increases and T-bill rate projections ... 184
  Science and mathematics ... 168
  Spending during the 1990's ... 185
  Summit meeting ... 166
  System, restructuring the ... 179
Educational reform, responsibility for ... 187
Education's problems, identifying solutions to ... 185
Endowment grants for historically black colleges ... 168
Federal:
  Funding of education, should it be increased ... 178
  Percentage of education spending ... 169
  Prerogatives for effective change ... 187
  Role in education ... 177
  Role in elementary and secondary education ... 177
  Versus State and local education funding ... 176
Financial aid for needy college students ... 168
Fostering excellence and rewarding success ... 167
Fraud and abuse findings, adversarial nature of ... 198
High school seniors poll of most admired person ... 188
Humanities:
  Bill ... 188, 189
  Education ... 190
Illiteracy, bold Moon shot approach needed to solve ... 206
Job training and basic literacy education ... 192
Literacy programs, dedicated source of revenue for ... 207
Loan counseling by universities ... 204
National education goals, national commitment needed for ... 209
Parental involvement ... 186
Preschool education ... 167
Prisoner education: literacy and job training ... 194
Proprietary schools ... 195
Questions submitted by the subcommittee ...
Raising education's significance key to Nation's success ... 188
Recognizing education deficit ... 186
Restructuring strategies ... 186
Rising college costs ... 204
Student aid:
  For proprietary school students ... 196
  For the middle-income students ... 203
  Opportunity to reanalyze delivery during reauthorization ... 205

Page
Student loan:
  Funds in default 196
    Default:
      Collection efforts 196
      Costs 199
      Reduction regulations 200
      Regulations 199
Teacher:
  Preparation 186
  Summer training institutes 189
Vocational and adult education funds for the incarcerated 194

Special Institutions

AMERICAN PRINTING HOUSE FOR THE BLIND

Effect of inflation on APHB's budget 285
Original budget request for research 286
Questions submitted by the subcommittee 288
Research on early intervention programs 286

GALLAUDET UNIVERSITY

Competitive salaries at Gallaudet 274
Construction at Gallaudet 274
Deafness in the aging population 275
Questions submitted by the subcommittee 291
Role models as leaders at Gallaudet 273

HOWARD UNIVERSITY

Alumni contributions 272
Construction and renovations 271
Foreign student:
  Enrollment 272
  Tuition surcharge 272
Introduction of associate 255
Questions submitted by the subcommittee 298

NATIONAL TECHNICAL INSTITUTE FOR THE DEAF

Competitive salaries at NTID 277
Consortium for low-achieving deaf adults 275
Questions submitted by the subcommittee 296
Report: "Effective of Agreement with RIT on Salary Increases" 278
Value of NTID's endowment 276

DEPARTMENT OF LABOR

Additional questions 22
Assistance to the disabled 40
At-risk youth 22
Better use of scarce resources 27
Call to quality 3
Coal industry issues 19
Cochran letter from the Mississippi House of Representatives 29
Cooperation between labor and management 26
Department request 6
Desk audits 36
Employment security reductions 28
Fiscal year 1990 supplementals 13
Highlights of 1989 6
Inspector general's recommendations 34
Introduction of associates 2
Job training:
  For drug abusers 23
  In Hawaii 24

Page

- Joint Training Partnership Act:
  - Amendments 4, 22
  - Focus on the most disadvantaged 32
  - On-the-job training 31
  - Training for youth 29
- Labor shortage areas 20
- Limited scope audits 36
- Mine Safety and Health Administration:
  - Reduction 23
  - Staffing reductions 24
- New Job Corps centers 15
- Occupational Safety and Health Administration:
  - FTE increase and ergonomics 13
  - Increase 5
- Pension Benefit Guaranty Corporation, additional enforcement personnel 33
- Pension:
  - Increase 5
  - Plan investments 37
    - Plans:
      - Excess funds in 38
      - Failed 39
      - Private 33
- Pittston-United Mine Workers settlement 17
- Programs:
  - Older Americans 13
  - Older Workers 12
- Questions submitted by the subcommittee 41
- Rising health care costs 25
- Role under the Railway Labor Act 19
- Secretary, role in labor-management disputes 17
- Skills gap 21
- State employment service reduction 16
- Work-based learning 26

OFFICE OF INSPECTOR GENERAL

- Background 147
- Introduction of associates 143
- Investigative functions 151
- Limited scope audits 153
- Pension Benefit Guaranty Corporation and ERISA, health of private pension plans 149
- Questions submitted by the subcommittee 155

FEDERAL MEDIATION AND CONCILIATION SERVICE

- Baseball negotiations 540
- Budget request 533
- Contract disputes 540
- Dispute mediation 538
- Labor-management cooperation program 538
- Pittston coal strike 540
- Questions submitted by the subcommittee 542

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

- Case age 629
- Introduction of associates 627
- Questions submitted by the subcommittee 630

NATIONAL COMMISSION ON ACQUIRED IMMUNE DEFICIENCY SYNDROME

- AIDS 855
  - Epidemic 855
  - Prevention and education 853
- Authorization 827
- Budget request 827

Page
Questions submitted by the subcommittee ... 857

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

Democracy ... 771
Indian library services ... 772
Introduction of associates ... 743
Letter from President George Bush ... 746
Literacy projects ... 770
Principles on information policy ... 771
Productivity ... 772
Questions submitted by the subcommittee ... 774
Report on Federal-State cooperative statistical project ... 747
White House Conference on Library and Information Services ... 744

NATIONAL COUNCIL ON DISABILITY

Fiscal year 1990 ... 512
Health insurance ... 525
Introduction of associates ... 511
Projected activities for fiscal year 1991 ... 512
Questions submitted by the subcommittee ... 527
Special education study ... 523

NATIONAL LABOR RELATIONS BOARD

Board vacancies ... 654
Budget request ... 637
Case processing time ... 655
Cost-of-living increases ... 654
Executive pay raise ... 654
FTE request ... 653
Highlights ... 638
Introduction of associates ... 637
Questions submitted by the subcommittee ... 656

NATIONAL MEDIATION BOARD

Eastern Airlines ... 553
Introduction of associates ... 547
Questions submitted by the subcommittee ... 556

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

Budget request ... 665
Money returned to Treasury ... 668
Questions submitted by the subcommittee ... 669
Quorum ... 666
Staff ... 668

PHYSICIAN PAYMENT REVIEW COMMISSION

Addressing rural payment inequities ... 691
Adequacy of Commission budget request ... 691
Budget request ... 690
Geographic adjustments to the fee schedule ... 690
Introduction of associates ... 689
Questions submitted by the subcommittee ... 693
Steming Medicare part B cost increases ... 690
Volume performance standards ... 690

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

Data base ... 873
Hospital closures ... 865
Questions submitted by the subcommittee ... 875
Rural hospitals ... 865

Page

RAILROAD RETIREMENT BOARD

Budget request 562
  Inspector general 607
Computer:
  Acquisition of new:
    Competitively 579
    Mainframe 578
  Capacity saturation of existing 579
  Lease versus purchases of a new 578
  New purchase 621
Introduction of associates 561
Medicare payments 621
Office of Inspector General 607
Quality of tax statements 576
Questions submitted by the subcommittee 580
Tax reporting and accounting system 562

U.S. INSTITUTE OF PEACE

Eastern Europe ....
Introduction of associates 797
President's request 807
Questions submitted by the subcommittee 809
Think tanks 806
Working groups 806

U.S. SOLDIERS' AND AIRMEN'S HOME

Budget request:
  Fiscal year 1991 894
  Original 896
Capital outlay projects 896
Medical facility 896
Outstanding contribution 895
Questions submitted by the subcommittee 898
Introduction of associates 893
Groundbreaking ceremony—medical facility 894

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